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JOURNAL

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CANADIAN BANKERS' ASSOCIATION

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THE EARLY HISTORY OF CANADIAN BANKING

ORIGIN OF THE CANADIAN BANKING SYSTEM

THE history of banking in Canada, as in other countries, is but one phase of the general economic history of the people. Banking operations are so wholly dependent upon the commercial habits and ideas of the people, the character of their business and the nature of their occupations, that they cannot be studied with much certainty or profit apart from the general economic atmosphere in which they are carried on. It will be my purpose in these articles to set forth, as fully and as accurately as the material which I have been able to gather will permit, the origin of the Canadian banking system, the early history of the first banks, particularly those of Upper Canada, and their relations to the economic condition of the country at the period of their introduction.

The present article deals with the origin of the Canadian banking system.

In treating of banking in Canada little attention has

hitherto been given to the question of its origin. So far as it has been looked upon as other than a native growth, Scotland has commonly been credited with its parentage. At first sight this conclusion seems so natural and obvious as to be hardly worth questioning. From the very infancy of Canadian banking Scottish names have been chiefly associated with its growth and expansion. Moreover, prominent external resemblances, particularly in the feature of branch banks, seem to closely relate the two systems on the one hand, while distinguishing them from their nearer neighbors on the other. Closer inspection, however, and especially a slight acquaintance with the history of the two systems, soon show us that the resemblance is merely accidental, or at the best only to be attributed, in the course of their development, to a community of national temperament in the persons of the most influential managers. Evidence of the most direct kind shows that the Canadian system was derived from quite another source. But since its origin has been attributed to Scotland, it may be as well to make a few observations on the negative side.

Though the Canadian system was established largely through the influence, and under the direction of persons of Scottish nationality, yet it does not follow that these persons were prejudiced in favor of Scottish examples. The richest national individuality is that which is capable of absorbing the widest range of foreign experience without losing its characteristics. It is matter of common observation that the pronounced individuality of the Scotchman is almost invariably accompanied by the widest cosmopolitanism. The Scotchman's capacity, in every region of the world, to adapt himself to circumstances, or more often to induce them to meet him half way, is proverbial, and mainly because in so doing he only intensifies his national identity. The Scotchmen who were so prominent in the early days of Canadian commerce, did not attain to that position by any special adherence to Scottish experience. Few of them had much occasion to be familiar with the mechanism of exchange before leaving their native country, otherwise Canada had never known them. Their commercial experience was gained on this side of the Atlantic. Even after they became extensive traders, there were few occa-

sions in which they had any direct intercourse with their countrymen in Scotland. The Canadian trade was almost wholly confined to New York and the New England States, and the West Indies, on this side the Atlantic, and London, with a few other English towns, on the other. So late as 1823 the shipping lists show only rare arrivals from any Scottish port.

But even had the Canadians been familiar with Scottish banking, at the time they were forming their own ideas on the subject, they would hardly have been likely to take the Scottish banking of that time as a model. That was the period of the great struggle with France, from 1793 to 1815, during which both English and Scottish banking were in a most unstable condition and subject to frequent crises. In 1797 the Bank of England suspended cash payments, followed immediately by the Scottish banks, and did not resume until 1821. During this period banking in Scotland was carried on by two chartered banks,—the Bank of Scotland and the Royal Bank, each with a branch in Glasgow,—and a multitude of small private banking corporations with little community of system and no branches. It was only after 1816, and mainly through the action and example of the National Bank of Scotland, started in 1824, that the transition was gradually made to the present system of a few large banks with numerous branches. But before this experience was available the Canadian system had been already determined.

Turning to the positive side of the subject, I may state categorically that the Canadian banking system was derived in a very direct and literal manner from the United States. The more one becomes acquainted with the economic condition and commercial relations of Canada, during the last quarter of the eighteenth and first quarter of the nineteenth century, the more one recognizes that this was no accident, but quite inevitable. It was equally inevitable that the currency of Canada should assimilate itself to that of the United States, despite the relatively large sums in English currency which were continually coming to the country, and despite also the laws, regulations, and bonuses intended to maintain the English system and exclude the American.

The father of the Canadian banking system was Alexander

Hamilton, the first Secretary of the Treasury under the present constitution of the United States. Hamilton had given much attention to economic, and especially to financial questions, long before he was called upon to lay the financial foundations of the young republic. The ability and thoroughness with which he studied questions of banking and general finance are shown in the radical changes which his own ideas underwent, and the frankness with which he afterwards exposed the fallacy of ideas which he had earnestly supported at earlier stages of his own progress. It is quite true that several of his ideas afterwards proved to be inadequate or erroneous, but, comparing them with the best ideas then current on the subjects of paper money, credit and banking, we have to admit that Hamilton was singularly sane and practical in the principles which he laid down. In his work on the History of Banking in the United States, Professor Sumner is inclined to be rather severe in his criticism of Hamilton, but the force of his criticism falls not so much on Hamilton as on those who achieved disastrous results by a one-sided and often deliberately perverse development of certain of Hamilton's ideas. It could be pointed out also that these ideas, and others of a similar nature, in the hands of different men, did not have the same evil consequences in Canada or in Scotland. However, this is merely by the way. Our present task is to show what were Hamilton's principles and how they came to be adopted in Canada.

Politically, we find that the English traditions of the Colonies were faithfully reflected by the founders of the American Republic in their federal constitution. The singular stability of the American constitution, and its capacity to serve with efficiency for so long a period of rapid growth and enormous expansion, are undoubtedly due to the conservative resolution of its framers to try no novel political experiments, but to rely on the experience of their own colonial condition, and of their mother country. Financially the same spirit showed itself. English precedent and English experience were closely followed by Hamilton and his associates in laying the foundations of the public credit.

During the trying and uncertain period when the colonies were struggling for their freedom, Mr. Robert Morris, the finan-

cial agent of the colonial government, managed to obtain in the Bank of North America a financial instrument which, with the help of silver specie supplied by France, was of the greatest assistance to the struggling government, being a bond of union between itself and the commerce of the country. After the restoration of peace its position became rather uncertain, especially as it received and acted upon a new charter from the State of Pennsylvania. With the establishment of the Republic on a new and firmer foundation in 1789, Hamilton, who became the first Secretary of the Treasury, desired to find a financial agent for the government which would be more distinctly national, and on a more definite basis than the Bank of North America. He therefore drew up and presented to Congress, as part of his report on the establishment of the public credit, his plan for the formation of a National Bank. The greater part of the report consists of a statement of his views on the nature of credit, the uses and limitations of paper money, the functions of banks, and the relation in which the government should stand to the national mechanism of exchange.

It was obviously Hamilton's intention that the proposed National Bank should stand to the United States Government in practically the same relation as the Bank of England stood to the British Government. It should rest largely upon the national debt, and should be at once the channel through which the government collects revenue and makes payments, the custodian of the surplus cash of the treasury and the money-lender from whom the government might obtain temporary advances in time of need. But, as in the case of the Bank of England, it must be essentially a free and independent corporation, consisting of private individuals and corporate bodies seeking by every legitimate means, in connection with the trade and commerce of the country, to further their own joint interests. Only on this basis could the bank be itself a prosperous institution, in normal and intimate connection with the economic life and strength of the nation, and therefore capable of being an effective aid to the government in time of need. It is to be the medium through which the government may, when necessary, find an immediate access to the resources of the

country in a fluid shape. Were the institution simply a department of the government, or controlled and managed by the government, it would be of little assistance to it when most required: for, instead of the government being able to depend upon the bank in time of need, it would simply find the bank an additional burden to carry.

Hamilton saw also that such an institution, from its financial connection with the government, would, under all normal political conditions, derive stability, and inspire confidence and respect both at home and abroad. This would enable it to maintain stable and uniform conditions in the interstate exchanges, as well as to carry on with confidence and dignity the international exchanges of the country.

The latter part of the report contains the draft of a plan for the constitution of a National Bank, followed by explanations of its leading features. On the lines of this plan a bill was framed by Hamilton and introduced to Congress for the incorporation of the Bank of the United States. After considerable discussion the bill was passed on March 2nd, 1791. The bank was soon in operation, and from the first achieved a marked success; its stock soon passed to a premium, which amounted at one time to fifty per cent.

In order to bring out the connection of the more essential banking features of the Act with the Canadian system, I shall give some of these sections in full, together with the corresponding sections of the Canadian bill. A skeleton of the other interesting features of the Act may be given as follows: The capital stock is placed at \$10,000,000 in 25,000 shares of \$400 each. Any person, corporation, or body politic may subscribe, under certain limitations as to the number of shares to be taken by each. The government of the United States is permitted to take stock in the bank to the extent of \$2,000,000. The government subscribed for the whole of this amount. The instalments on the stock are to be paid, one fourth in gold and silver and three fourths in the public debt of the United States. The corporation was given the customary legal powers and was chartered for twenty years.

The very success of this bank was the chief cause of its downfall, through its failure to obtain a renewal of its charter.

Its stability and credit became so great, both at home and abroad, that its power and precedence in the American commercial world were very marked, giving rise to much jealousy, and causing it to be attacked on the ground of its aristocratic and un-American tendencies. These attacks received justification, in the eyes of many, from the very respect which the bank commanded abroad. Its shares were readily bought up in Europe, and especially in England; yet no stockholder residing abroad was permitted to vote, and none but citizens of the United States were eligible as directors. Finally about 18,000 shares were held abroad and only 7,000 in the United States: still these 7,000 shares elected the directors and controlled the whole institution. When, in 1811, the period of the charter came to an end, the friction between the United States and England afforded the opponents of the bank an excellent basis for attack. The bank was represented as an engine of the British Government planted in their midst, capable at any time of working, in some mysterious way, untold destruction. The demagogues prevailed and the bank was forced to wind up its affairs. Had England any desire to be revenged on the United States, it should surely be satisfied by the injuries wrought to the country through its Anglophobic element, in the name of frustrating English designs.

During the existence of the first Bank of the United States, the principles embodied in its charter naturally shared in the respect and credit of the institution itself; hence its charter was taken as a model for very many of the new banks which came into existence during that period.

As already noted, the commerce of Canada at this time, which was mainly in the hands of the English element, was closely connected with the United States. Quite a number of the merchants in the lower province had come from the American colonies before the separation from England; many others came after that separation. However their views as to British connection might differ from those of their brethren in the United States, there was little change in the social, economic and municipal ideas in which they had been trained. These ideas were not affected by their political allegiance, and were as well suited to the natural conditions of Canada as they were to

those of the United States. Those who came directly from Britain found their circumstances so completely altered that they naturally laid aside most of their old ideas and adopted others better suited to the customs and conditions of a new country. For a considerable time, following the independence of the American colonies, trade was practically free between the two countries, and even after restrictions were prescribed they were but very laxly enforced. The physical condition of the interior of the country made it necessary that certain portions of the United States should find an outlet through Canada, and some parts of Canada an outlet through the United States. Thus Montreal became the natural port of entry and outlet for Vermont and north-eastern New York; and before the opening of the Erie Canal, much of the trade of the western portion of New York State, and of all the trading posts in the territory bordering on the lakes and as far west as the Mississippi River, found its natural outlet through the Detroit, Niagara and Kingston route, finally centering at Montreal. Montreal was thus the Canadian city which had most constant and intimate relations with the American Republic. It was here that the first definite ideas on banking in Canada found expression, here the first effort was made to establish a bank in Canada, and here the first bank was afterward established.

In 1792, just after the successful launching of the Bank of the United States, we find the leading Montreal firms connected with the export and import trade of the country, attempting to establish a bank in Montreal with prospective branches in other parts of the country, as in the case of the Bank of the United States. As the constitution of this proposed bank does not seem to have survived in any form, we are unable to say definitely how closely it was related to Hamilton's plan. But in 1808, while the same firms were still the leading trading houses of Montreal, we find the renewal of the attempt to form a bank, this time with the co-operation of Quebec merchants. A bill to give effect to their petition was introduced in the Legislature of Lower Canada. The bill failed to pass, but it had been printed by order of the Legislature. Doubtless several copies are still in existence; one, at least, survives in the collection of Mr. Neilson, at that time proprietor of the Quebec Gazette. Through

the kindness of its present owner, Surgeon-Major Neilson, I have been able to examine it and compare it with the charter of the Bank of the United States. Allowing for the necessary changes required to adapt the American charter to Canadian conditions, the bill reproduces in a very literal manner every essential feature of the American Act. It contains several additional clauses, only one of which is of any special importance. The bank provided for in the bill was naturally on a smaller scale than that of the United States. The stock, outside of the contribution of the Provincial Government, was limited to £250,000, or \$1,000,000, in shares of £25, or \$100 each. Following the example of the Bank of the United States, provision was made for a Government subscription to the stock of the bank, not to exceed £50,000. This feature, though necessarily dropped in the articles of association of the private banks, which were the first to go into actual operation in Canada, was revived and included in the first charter granted in Upper Canada, that of the Bank of Upper Canada. Following the American model, again, the bill provided for subscriptions to the stock, not only by the Provincial Government, but by any corporation or body politic. As Lower Canada, unlike the United States, was not an independent nation, and had no regular national debt, freely selling on the market, in which subscriptions might be made, the instalments on the stock were to be paid in gold and silver only. Nevertheless the Provincial Government itself was privileged to create and contribute provincial debt, by paying its subscriptions to the stock in its own notes, bearing interest at six per cent., the interest to be paid half-yearly. Even the name of the bank was obtained by substituting the words 'Lower Canada' for the words 'the United States.' The bank might elect directors and commence operations after £10,000 in gold and silver had been actually paid in. Offices were to be opened in both Montreal and Quebec, and there were to be twenty-four directors, twelve for Montreal and twelve for Quebec. In connection with the directorate the Canadians made a slight innovation. The American Act makes no special provision for government representation on the board of directors, but the Canadian bill provides that if the Government shall subscribe not less than

£25,000 to the stock of the bank, then instead of this stock being employed in the usual way in voting for the election of directors, the Government should appoint two directors, one for Montreal, and one for Quebec. This feature also re-appears, slightly modified, in the first bank charter in Upper Canada. The only other new feature of importance appearing in the Canadian bill is the clause which provides "that no stockholder or stockholders shall be answerable in his, her or their private capacity or capacities, for the debts of the said corporation," with the exception of the directors who should overstep the limits of the debt which the corporation is permitted to contract. This clause, when reproduced in the articles of the private banks, gave rise to much hostile criticism.

I shall now give some of the corresponding sections of the American Act and of the Canadian Bill in which some of the more important details of Hamilton's banking regulations are expressed. Incidentally these sections will show how completely the Canadian Bill absorbs the American Act, and also what changes and additions were thought to be necessary in adapting it to Canada.

The numbers attached to the different clauses follow the order of the sub-sections of section 7 of the American Act. The same numbers are given to the corresponding Canadian clauses, although in the Canadian Bill there are a few variations from this order.

Charter of the Bank of the United States — *Proposed Charter of the Bank of Lower Canada.*

1. The number of votes to which each stockholder shall be entitled, shall be according to the number of shares he shall hold, in the proportions following, that is to say: For one share and not more than two shares, one vote; for every two shares above two, and not exceeding ten, one vote; for every four shares above ten, and not exceeding thirty, one vote; for every six shares above thirty, and not exceeding sixty, one vote; for every eight shares above sixty, and not exceeding one hundred, one vote; and for every ten shares above one hundred, one vote. But no person, co-partnership, or body

1. The number of votes to which each stockholder or stockholders, body politic or corporate, holding stock in the said corporation, shall be entitled on every occasion when in conformity to the provisions and requirements of this Act, the votes thereof are to be given shall be in proportion following, that is to say: For one share and not more than two, one vote; for every two shares above two, and not exceeding ten, one vote, making five votes for ten shares; for every four shares above ten and not exceeding thirty, one vote, making ten votes for thirty shares; for every six shares above

politic, shall be entitled to a greater number than thirty votes. And after the first election, no share or shares shall confer a right of suffrage, which shall not have been holden three calendar months previous to the day of election. Stockholders actually resident within the United States, and none other, may vote in elections by proxy.

2. Not more than three-fourths of the directors in office, exclusive of the President, shall be eligible for the next succeeding year. But the director who shall be president at the time of an election may always be re-elected.

3. None but a stockholder, being a citizen of the United States, shall be eligible as a director.

4. No director shall be entitled to any emolument, unless the same shall have been allowed by the stockholders, at a general meeting. The stockholders shall make such compensation to the President, for his

thirty and not exceeding sixty, one vote, making fifteen votes for sixty shares; for every eight shares above sixty and not exceeding one hundred, one vote, making twenty votes for one hundred shares; and for every ten shares above one hundred, one vote, making thirty votes for two hundred shares; but no person or persons, body politic or corporate, shall be entitled to a greater number than thirty votes. And all stockholders resident within this province or elsewhere, may vote by proxy, if he, she or they shall see fit, provided always, that such proxy shall be one of His Majesty's subjects, as hereafter designated, and do produce a sufficient authority from his constituent or constituents for so representing and voting for him, her or them. Provided also that after the first election of directors, no share or shares of the capital stock of the corporation shall confer a right of voting, either in person or by proxy, which shall not have been holden during three calendar months, at the least, prior to the day of election or of the general meeting where the votes of the stockholders are to be given.

2. Not more than nine (exclusive of the president or vice-president) of the directors in office, at each of the cities of Quebec and Montreal, shall be eligible for the next succeeding twelve months: but the directors who are president and vice-president at the time of an election, may always be re-elected.

3. None but a stockholder actually resident in this province and holding at least twenty shares in the capital stock, and being a natural born subject of His Majesty, or a subject of His Majesty naturalized by Act of the British Parliament, or a subject of His Majesty's having become such by the conquest and cession of this province, shall be capable of being elected or chosen a director of the said corporation, or shall serve as such.

4. No director shall be entitled to any salary or emolument unless the same shall have been allowed to him by a general meeting of the stockholders; but the stockholders shall make such compensation to the

extraordinary attendance at the bank, as shall appear to them reasonable.

5. Not less than seven directors shall constitute a board for the transaction of business, of whom the president shall always be one, except in case of sickness, or necessary absence: in which case his place may be supplied by any other director whom he, by writing under his hand, shall nominate for the purpose.

6. Any number of stockholders, not less than sixty, who together, shall be proprietors of two hundred shares or upwards, shall have power, at any time, to call a general meeting of the stockholders, for purposes relative to the institution, giving at least ten weeks notice, in two public gazettes of the place where the bank is kept, and specifying, in such notice, the object, or objects, of such meeting.

president and vice-president for their extraordinary attendance at the bank as shall appear to them reasonable and proper.

5. Not less than five directors shall constitute a Board for the transaction of business at each of the branches of the Bank at Quebec and Montreal, whereof the President or Vice-President shall always be one, except in case of sickness and necessary absence, in which case their places may be supplied by any other directors whom the President or Vice-President so absent, shall respectively by writing under their hands, appoint for that purpose. The President and Vice-President shall vote at their respective Boards as directors, and in case of there being an equal number of votes for and against any question before them, they respectively shall have a casting vote.

6. Any number of stockholders not less than ———, who together shall be proprietors of — shares, or upwards, shall have power at any time, by themselves or their proxies, to call a general meeting of the stockholders for purposes relative to the corporation, giving at least six weeks notice thereof in at least one of the newspapers published at Quebec and at Montreal respectively, and specifying in such notice the time and place of such meeting, with the object or objects thereof: and the said directors or any seven of them shall have the like power at any time (upon observing the like formalities) to call a general meeting as above said, and if the object for which any general meeting called either by stockholders or directors as above-said, shall be to consider of a proposal for the removal of the President, Vice-President or other director or directors for maladministration, then and in such case the person or persons so proposed to be removed shall from the day on which such notice shall first be published, be suspended from the execution of the duties of his or their office: and if he be the President or Vice-President, his place shall be filled up by the remaining directors, to serve during the time of such suspension.

7. Every cashier or treasurer, before he enters upon the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than fifty thousand dollars, with condition for his good behavior.

8. The lands, tenements and hereditaments, which it shall be lawful for the said corporation to hold, shall be only such as shall be requisite for its immediate accommodation, in relation to the convenient transacting of its business, and such as shall have been bona fide mortgaged to it by way of security, or conveyed to it in satisfaction of debts, previously contracted in the course of its dealings, or purchased at sales upon judgments which shall have been obtained for such debts.

9. The total amount of the debts which the said Corporation shall, at any time, owe, whether by bond, bill, note, or other contract, shall not exceed the sum of ten millions of dollars, over and above the moneys then actually deposited in the bank for safe keeping, unless the contracting of any greater debt shall have been previously authorized by a law of the United States. In case of excess, the directors, under whose administration it shall happen, shall be liable for the same in their natural and private capacities; and an action of debt may, in such cases,

7. Every cashier and every agent and clerk of the bank, before he enters upon the duties of his office, shall give bond, with two or more sureties, to the satisfaction of the directors, that is to say, every cashier in a sum not less than—
thousand pounds, with conditions for his good and faithful behavior, and every agent and clerk with the like condition and sureties in such sum as the directors shall consider adequate to the trust to be reposed in him.

8. The lands and tenements which it shall be lawful for the corporation to hold shall be such only as are hereinbefore prescribed and limited. Provided always that the corporation may hold mortgages or hypothecations on all kinds of property which can by law be mortgaged or hypothecated, by way of security for debts contracted with the corporation in the course of its dealings, and also may hold such lands and tenements as shall be purchased at sales made upon judgments and executions, which shall have been obtained at the suit of the corporation for debts so contracted; or where the corporation, for debts so contracted, shall be an intervening party in any suit brought by any other person or persons; or where for such debts the corporation shall lodge an opposition with the sheriff *afin de conserver*; but in all such cases of purchase, the corporation shall be bound to sell the lands and tenements within—
years after the date of the purchase respectively so made by the corporation.

9. The total amount of the debts which the said Corporation shall at any time owe, whether by obligation, bond, bill or note, or other contract whatsoever, shall not exceed treble the amount of gold and silver actually in the bank arising from their capital stock (but exclusive of a sum equal in amount to that of the gold and silver actually in the bank arising from other sources than the said stock, as also exclusive of a sum equal in amount to the notes of the Government of this province, held by the Corporation as part of the general stock), unless thereunto

be brought against them, or any of them, their, or any of their heirs, executors or administrators, in any court of record of the United States, or either of them, by any creditor or creditors, of the said Corporation, and may be prosecuted to judgment and execution; any condition, covenant or agreement to the contrary notwithstanding. But this shall not be construed to exempt the said Corporation, or the lands, tenements, goods or chattels of the same, from being also liable for and, chargeable with, the said excess. Such of the said directors who may have been absent when the said excess was contracted, or created, or who may have dissented from the resolution or act, whereby the same was so contracted or created, may, respectively, exonerate themselves from being so liable, by forthwith giving notice of the fact, and of their absence or dissent, to the President of the United States, and to the stockholders at a general meeting which they shall have power to call for that purpose.

10. The said Corporation may sell any part of the public debt whereof its stock shall be composed, but shall not be at liberty to purchase any public debt whatsoever; nor shall, directly or indirectly, deal or trade in anything, except bills of exchange, gold or silver bullion, or in the sale of goods, really and truly pledged for money lent, and not redeemed in due time: or of goods which shall be the produce of its lands. Neither shall the said corporation take more than at the rate of six per centum per annum, for or upon its loans or discounts.

11. No loan shall be made by the said Corporation for the use, or on account, of the government of the

authorized by an Act of the Legislature of this province; and in case of excess the directors under whose administration it shall happen, shall be liable for the same in their private capacities (unless such excess shall have arisen in consequence of any of the agents hereafter mentioned having acted contrary to the regulations and instructions of the directors), and an action of debt in every such case may be brought against them, or any of them, their heirs, executors, administrators, and curators, and be prosecuted to judgment and execution, according to the laws of this province. But this shall not exempt the said corporation, or the lands, tenements, goods or chattels thereof, from being also liable for such excess. Such directors, however, as shall have been absent when the said excess was contracted, or shall have entered their protest against it upon the records of the Corporation, may respectively exonerate and discharge themselves therefrom, by pleading and proving such absence or showing such record.

10. The said Corporation shall not directly or indirectly deal in anything excepting bills of exchange, gold or silver bullion, or in the sale of goods really and truly pledged for money lent, and not redeemed in due time, or in the sale of stock pledged for money lent, and not so redeemed: which said goods and stock so pledged and not so redeemed may be sold by the said Corporation at any time not less than ten days after the period for redemption without judgment first obtained, any law or usage to the contrary notwithstanding; and if upon such sale of goods or stock there shall be a surplus (after deducting the expenses of sale) over the payment of the money, such surplus shall be paid to the proprietors thereof respectively. Neither shall the said Corporation take at the rate of more than six per centum per annum for or upon its loans or discounts.

11. The corporation is hereby empowered to make any loan or loans for the use or on account of this pro-

United States, to an amount exceeding one hundred thousand dollars, or of any particular State, to an amount exceeding fifty thousand dollars, or of any foreign prince or state, unless previously authorized by a law of the United States.

12. The stock of the said Corporation shall be assignable and transferable, according to such rules as shall be instituted in that behalf, by the laws and ordinances of the same.

13. The bills obligatory, and of credit, under the seal of the said Corporation, which shall be made to any person, or persons, shall be assignable, by endorsement thereupon, under the hand or hands of such person or persons, and of his, her, or their assignee, or assignees, and so as absolutely to transfer and vest the property thereof in each and every assignee, or assignees, successively, and to enable such assignee, or assignees, to bring and maintain an action thereupon, in his, her, or their own name, or names. And bills or notes which may be issued by order of the said Corporation, signed by the President, and countersigned by the principal cashier, or treasurer, thereof, promising the payment of money to any person, or persons, his, her or their order, or to bearer, though not under the seal of the said Corporation, shall be binding and obligatory upon the same, in the like manner and with the like force and effect, as upon any private person or persons, if issued by him or them in his, her or their private or natural capacity, or capa-

vince that shall be previously authorized by a law or laws of the Provincial Parliament.

12. The stock of the said Corporation shall be assignable and transferable according to such rules and forms as shall be established in that behalf by the by-laws, ordinances and regulations of the same, but no assignment or transfer shall be valid or effectual unless such assignment or transfer shall be entered or registered in a book or books to be kept by the directors for that purpose, nor until the person or persons making the same shall previously discharge all debts due by him, her or them to the said Corporation, which may exceed in amount the remaining stock belonging to such person or persons, and in no case shall any fractional part of a share or other than a complete share or shares be assignable or transferable.

13. Bank obligations, bank bonds, bank bills, obligatory and of credit under the common seal of the said Corporation, signed by the President or Vice-President, and countersigned by a cashier which shall be made to any person or persons, shall be assignable by indorsements thereupon without signification thereof, any law or usage to the contrary notwithstanding. And bank bills or bank notes which shall be issued by order of the said Corporation, signed and countersigned as above said, promising the payment of money to any person or persons, his, her or their order, or to bearer, although not under the seal of the Corporation, shall be binding and obligatory upon the same, and shall be assignable and negotiable in like manner as if they were issued by private persons; that is to say those which shall be payable to any person or persons, his, her or their order shall be assignable by indorsement in like manner and with the like effect as foreign bills of exchange now are: and those which shall be payable to bearer shall be negotiable by delivery only.

cities; and shall be assignable or negotiable, in like manner, as if they were so issued by such private person or persons; that is to say, those which shall be payable to any person or persons, his, her, or their order, shall be assignable by endorsement in like manner, and with the like effect, as foreign bills of exchange now are; and those which are payable to bearer shall be negotiable and assignable by delivery only.

14. Half-yearly dividends shall be made of so much of the profits of the bank as shall appear to the directors advisable; and once in every three years the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained unpaid after the expiration of the original credit, for a period of treble the term of that credit; and of the surplus of profit, if any, after deducting losses and dividends. If there shall be a failure in the payment of any part of any sum subscribed by any person, co-partnership, or body politic, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

14. Half yearly dividends shall be made of so much of the profits of the bank as shall appear to the directors advisable, and shall be payable at such place or places as the directors shall appoint, of which they shall give public notice in a Quebec and Montreal newspaper at least four weeks before; and the directors shall every year at the general meeting for election thereof lay before the stockholders for their information, an exact and particular statement of the debts due to and by the bank, specifying the amount of bank notes then in circulation, and such debts as in their opinion are bad or doubtful, as also stating the surplus of profit if any remaining after deduction of losses and provision for dividends:

If there shall be a failure in payment of any part of the sum or shares subscribed by any person or persons, body politic or corporate, the party or parties failing in paying the first instalment of ten per centum succeeding the deposit of ten per centum hereinbefore required to be made at the time of subscribing, shall respectively forfeit the said deposit, to and for the use of the said corporation, and on failure of paying the other instalments or any of them, the party or parties failing therein shall lose the benefit of dividends (as well on the deposit as on the instalments paid by him, her or them) which shall have accrued prior to the time for making such payment and during the delay of the same, but shall not forfeit the principal sum of the said deposit excepting in the instance above said.

15. It shall be lawful for the directors aforesaid to establish offices

15. It shall be lawful for the directors of the bank to establish

wheresoever they shall think fit, within the United States, for the purposes of discount and deposit only, and upon the same terms, and in the same manner, as shall be practised at the bank; and to commit the management of the said offices, and the making of the said discounts, to such persons, under such agreements, and subject to such regulations, as they shall deem proper; not being contrary to law, or to the constitution of the bank.

16. The officer at the head of the treasury department of the United States shall be furnished, from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the said Corporation, and of the debts due to the same; and shall have a right to inspect such general accounts in the books of the bank as shall relate to the said statements: *Provided*, that this shall not be construed to imply a right of inspecting the account of any private individual, or individuals, with the bank.

offices, for the purpose of deposit and discount only, in such places in the provinces of Lower and Upper Canada as they shall think advisable, upon the same terms and in the same manner as shall be practised at the bank, and to commit the management thereof to such agents under such agreements and subject to such regulations as the directors shall deem proper, the same not being contrary to the constitution or laws of this province, or to this Act.

16. And be it further enacted by the authority aforesaid that the Governor, Lieutenant-Governor, or person administering the Government of this province for the time being, shall be furnished (at such times as he shall require the same) with statements of the amount of the capital stock of the Corporation, of the amount of debts due to and by the same, of the amount of monies deposited therein, of the amount of notes in circulation, and of monies on hand belonging to the said Corporation: and shall have authority himself, or by a person or persons for that purpose by him authorized and appointed, under his hand and Seal at Arms, to inspect the general accounts of the bank: provided that such inspection shall not extend to any right or authority to inspect the account of any individual or individuals with the bank.

The reasons for the failure of the Canadian bill to pass the Legislature need not be given here. What we are concerned with at present is the fact that the Canadian bill is a copy, somewhat extended in parts, of the American Act. It shows that the Canadians, at this time at least, were quite under the influence of the American ideas as expressed in Hamilton's plan. The only question which remains to be considered is whether the Canadians had really adopted these principles or had merely come under their influence temporarily. The subsequent history of Canadian banking shows clearly that these ideas were permanently adopted. They became the basis of the Canadian system, and all its after history reveals a gradual development, not without blunders, it is true, from these funda-

mental principles. In 1816, when the mistake of destroying the first Bank of the United States had been recognized, the second bank of that name was established, with much the same charter as the first. The following year the Bank of Montreal came into existence as an unchartered corporation. Its articles of association were published in the *Montreal Herald* in the latter part of May, 1817, and in several subsequent issues. Notwithstanding much search and many enquiries in likely quarters, I have, so far, been unable to find any copy of the *Herald* of that time. However, we know as accurately as need be for our purpose, what these articles were. The following year, 1818, three other unchartered banks were started, following closely the example of the Bank of Montreal. These were the Quebec Bank at Quebec, the Bank of Canada at Montreal, and the Bank of Upper Canada at Kingston. These likewise published their articles of association in the newspapers, and I have been fortunate enough to obtain a copy of each of them. On comparing them we find that, allowing for a few necessary verbal variations, they are almost identical. From what we know of the substance of the articles of association of the Bank of Montreal from contemporary references to them, we recognize that the articles of the other banks were simply copied from them. On comparing the articles of these private banks with the bill for establishing the Bank of Lower Canada, we find that these articles closely reproduce that bill, allowing for the omission of all that was specially required in a government charter, and the insertion of what was needed to give them the form of private corporations. This proves that the adoption of the principles embodied in that bill was not a temporary expedient, but undertaken with mature deliberation and recognized as expressing the intelligent convictions of the Canadian merchants on the subject. When, after several ineffectual attempts, the Bank of Montreal was at length successful in obtaining a charter, it was in accordance with their petition that it should be as nearly as possible in harmony with their articles of association. Here we have the beginning of that series of Acts which renewed from time, with such modifications and additions as were deemed necessary, the charters of the various banks,

at first individually, and now collectively under the general Bank Act. In our present Bank Act we may still recognize many features of Hamilton's first charter of the Bank of the United States. Indeed we may say that the present Canadian banking system is a much more direct and legitimate descendant from the plan drawn up by Hamilton than is the present banking system of the United States.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston

THE LATE MR. E. H. KING*

FORMERLY PRESIDENT OF THE BANK OF MONTREAL

SOME PERSONAL REMINISCENCES

THAT Mr. King was one of the most remarkable personalities that ever appeared in connection with Canadian banking is well known to those whose remembrance can go back to the time when he was connected with the Bank of Montreal.

My first recollection of him goes back as far as the year 1854. He was then accountant of the Bank of British North America in Montreal. A handsome, fair-haired, good-natured looking young man, no one would have suspected from his appearance what an extraordinary amount of resolution, strength and firmness was bound up in his character. He wrote a hand like copper-plate and had a singular aptitude for arithmetical calculation—an aptitude he was rather fond of displaying, to the astonishment of his fellow officers. This unusual aptitude for calculation stood him in good stead in the experience of after years.

When Mr. Davidson left the British Bank for the Bank of Montreal, he shortly afterwards took over Mr. King and Mr. Smithers. Mr. Smithers had been assistant manager. His career is part of Canadian banking history, as is that of Mr. King himself. He was a man of diametrically opposite temperament to Mr. King, but a very able banker.

Mr. King was for several years inspector. I remember

*E. H. King was born in Ireland in 1828. On coming to Canada he entered the Montreal office of the Bank of British North America, resigning in 1857 to become Inspector of the Bank of Montreal. On 1st June 1858, he was appointed Manager of the Montreal branch of that institution, and on 28th March 1863, he became General Manager. This position he occupied for five years, when, in November 1869, he was elected President of the bank. He retired in 1873, and until his death in April 1896, resided in England.



E. H. King
in

meeting him when on an inspection tour in an Ontario town, and hearing while there of the trenchant style in which his inspections were made, and how utterly regardless he was of the views and feeling of the agents or managers of the bank. In truth, the old style of inspection badly needed reform, for it was worse than useless.

After a time Mr. King became the manager of the Montreal office. There his powers developed in a remarkable degree. He thoroughly understood what was good banking and what was not; and his methods in dealing with matters as local manager were as trenchant as those which had characterized him as an inspector. He was a thorough man of business and a man of the world; who understood the requirements of business, and had a keen insight into the ways of men. He never scrupled to act, when action seemed to be required, no matter who might be in his way. I have heard bitter complaints again and again, not so much of what he did, as of the manner in which it was done. Possibly the time required such treatment. He once told me that it took five years of hard work to get the Bank of Montreal into proper shape.

On Mr. Davidson's removal to Scotland, Mr. King became general manager. This great office called forth all the powers and abilities that were in the man, and he entered from that time on a course of operations of a far wider range and bearing, not only on the position of the bank but of the whole country. At the time when he entered upon this office the government was indebted to the bank to an enormous extent. More than three-quarters of the bank's whole capital was locked up in advances to the government. This was before Confederation. The Canadian government at that time was in poor credit. I have seen in Blue Books letters from its London agents written in exactly the same tone and to the same purpose as banks assume towards a debtor whose bills are overdue. A Canadian of the present day can hardly realize the position in which Canada was at that time. The special danger of the position of the bank was, that the government could borrow no more money in England, while the debt to the bank was constantly increasing, and was a practical lock-up. Under these circumstances the genius of Mr. King came out conspicuously;

for the manner in which he delivered the bank was nothing less than a stroke of genius. Mr. Galt (afterwards Sir Alexander) was Finance Minister at that time. He had held the theory that it was the sole function of the government to issue notes for circulation. In conference with Mr. Galt, Mr. King saw that if the government could be empowered to issue notes for circulation, and to make them legal tender, a way could be brought about for this huge lock-up to be turned into active assets. Mr. Galt brought his measure forward. It was intended to apply to all the banks, prohibiting them after a certain date from issuing more circulation, and giving them compensation therefor for a term of years. I was cashier of the Bank of Toronto at this time, and saw that such an arrangement would be highly detrimental to the interest of the bank. I spent a great deal of time in Ottawa, and had interviews with Mr. Galt on the subject. My contention was that the bill should be made optional and not compulsory; and that was the final shape of the Act. The cashier of the Commercial Bank, which at that time was in high credit and doing a large business, was disposed to fall in with the Act. As a young banker I had little influence with other bankers, especially those at the head of far larger institutions than the Bank of Toronto was at that time. However, others finally saw the matter as I did, and no bank but the Bank of Montreal came under the operation of the Act,—that is, surrendering its circulation, and agreeing to issue none but government notes under compensation for a term of years. The details were managed by Mr. King with extraordinary foresight and ability, and a position of serious danger was turned into one of ease and immense profit. The bank became the agent of the government for redeeming their notes. All its operations at that time were of the nature of a monopoly. The government had no other bank account, and Mr. King exacted without mercy such rates of exchange and such profits as no second or third rate customer of a bank in these days would think of submitting to.

I remember well the measures he took when the legal tender notes were handed over to the Bank of Montreal by the government. He was determined to compel all the banks in the country to carry a portion of these legal tenders, which at

that time were viewed with great distrust, the banks preferring to hold gold. He entered upon the work of compulsion in his usual trenchant style, by putting an end to all arrangements for settlements at all the branches of the banks in every part of the country. This had the effect of compelling all the banks to hold gold for settlement in all the towns where they met the Bank of Montreal. The Bank of Toronto, though a very small bank at that time, was strong enough to determine not to submit to coercion. We accordingly provided gold at all our branches, and settled in gold for a considerable time after others had come to terms with Mr. King and had handed him gold for legal tenders on condition that he should resume settlements in the ordinary way. After a time, however, I concluded it might be best to be at peace, and made a proposal to Mr. King on the subject, which he accepted. We were, I think, the last bank to fall in with his views. But by that time he had secured command of a large part of the gold formerly held by the banks, and inaugurated the system of holding legal tender notes, which has subsisted almost unchanged to the present day.

While all this was going on, the American Civil War was raging. Gold went to a premium,—steadily increasing until it reached nearly 300. This state of things was naturally rather embarrassing, but to a man of genius like Mr. King, what was in itself embarrassing, was turned into a source of profit beyond the imagination of an ordinary banker to conceive. The operations of the bank in New York at that time were sometimes on a vast scale. Mr. Smithers was then one of the agents of the bank in New York, and I remember his telling me, many years afterwards, that the operations sometimes inaugurated by Mr. King, and which he (Mr. Smithers) had to carry out, were of such a character as almost to make his “hair stand on end.”

Such operations must have been of the nature of speculation, more or less, and in the hands of a less able man than Mr. King they might have been highly dangerous.

It is, however, important to remember that there were at that time no such great financial magnates in New York as are

now able to command any number of millions. The Bank of Montreal was the most powerful factor in the position.

But a bank with such command of gold as the Bank of Montreal had in New York at this time, could make large profits in a perfectly legitimate manner. Gold could be lent from time to time at very high rates of interest. As security for the gold, current funds were generally deposited. These funds were employed again—so I was informed by Mr. King himself—in discounting commercial bills. The bank had the choice of such as were on the market, and took none but those of the highest classes. The ordinary rate for these bills was very high. The bank, therefore, during all this period was making double profits on its ordinary banking operations in New York, besides realizing, at times, large sums as the result of its operations in gold.

These extraordinary profits were reflected in the annual statements of the bank at the time. Dividends as high as 16 per cent. were paid, and enormous sums—as much as \$1,000,000 at times—were added to the Rest in addition.

To obtain the amount of gold necessary for these operations, Mr. King carried out some very drastic measures with regard to the bank's business in Upper Canada. Loans were called in, advances reduced, and accounts closed at nearly every branch in Ontario. At one time a condition almost approaching panic prevailed, owing to the severity of the drain. There would indeed have been a panic, but for the manner in which the local banks of Ontario strained their resources to accommodate the mercantile public.

It was at this time, and owing to these very circumstances, that the Canadian Bank of Commerce started into existence, and rendered important service in filling the void created by the withdrawal of funds by the Bank of Montreal.

Of course there was a strong temptation to a man like Mr. King to gather in all the money that could possibly be raised from the ordinary discounts of the bank; seeing that double or treble the amount of profit they yielded could be obtained in New York.

But in the year 1867 or '68 a far larger measure, with regard to circulation, was brought forward by the government,

and it was well understood to be at Mr. King's instigation. The measure was to assimilate the circulation system of Canadian banks to that of the United States, by compelling them to cover the whole of their circulation by government securities. This measure would have suited the purposes of the Bank of Montreal exceedingly well; for with its enormous capital and rest, and no circulation of its own, it could very well adapt itself to the requirements of the Act. And so able a man as Mr. King was sufficiently far-sighted to understand that it would inevitably so cripple the operations of smaller banks as to compel them to lean upon the Bank of Montreal continually for assistance, by rediscounting the bills of their customers. The measure, in fact, would have raised the Bank of Montreal to the position occupied by the Bank of England in the mother country.

The proposal met with strenuous resistance from the smaller banks, and in this the Bank of Toronto took a leading part. The banks in the maritime provinces also lent very important assistance and influence to the cause. It seemed, however, at the outset, a hopeless undertaking.

I well remember the first conference had in Ottawa on the subject, which I attended almost at the risk of my life, for I rose from a sick-bed, just recovering from a fever, and was in such a condition of weakness at the conference that I could hardly speak. All was discouragement and confusion. No one seemed exactly to know what to do, or how to go about it. The Bank of British North America withdrew from concerted action with the other banks, and the rest were left to carry on the contest alone. But it was waged at length very strenuously.

The banks who had the burden of moving the crops saw that the system proposed was utterly unsuitable to the circumstances of an agricultural province like Ontario, and also to the circumstances of Nova Scotia and New Brunswick. It would have brought about a severe periodical stringency, and interposed serious obstacles to the conduct of mercantile business generally. The smaller banks, therefore, used all their influence in parliament and elsewhere against it.

The government was very strong, with Sir John Macdonald and Sir George Cartier at the head of it, and command-

ing a large majority in parliament. But some Conservative members—notably Mr. Hillyard Cameron in the Lower House, and the Hon. Mr. McPherson, in the Upper, with some supporters of the government from the maritime provinces, took the side of the smaller banks, and rendered invaluable service in the contest.

I was secretary of the Association of the smaller banks at the time, and spent a good part of two sessions, off and on, in Ottawa.

The cashier of the People's Bank of Halifax, Mr. Peter Jack, a very able man, was in Ottawa almost as much as myself. He had a remarkable aptitude for the work that required to be done—of convincing individual members that the measure was undesirable and dangerous to the mercantile interests of the country; and especially to Ontario and the maritime provinces.

Mr. King, on his part, was by no means idle, but took some strong and characteristic measures, which need not be further detailed here, to influence the opinion of parliament and the country; and the Bank of Montreal was so powerful that some even who shared our views represented that it was absurd to think of successfully opposing him.

The prospect at one time was very gloomy, and a special meeting of the banks interested was called to consider the position. The conference was held in the board room of the Bank of Toronto, and amongst others present were Sir Hugh Allan, Hon. Wm. McMaster, and other presidents and cashiers of banks. The matter was fully discussed, and the meeting came to the conclusion that further agitation of the matter should be dropped. I was a comparatively unknown young banker at this time, and said very little at the conference. But after its close, I was so strongly impressed with the dangers that would result from the acceptance of the government measure, that I determined that the contest should not be given up without a last effort to continue it. The president and vice-president of the Bank of Toronto were quite ready to further my views. I came down, accordingly, to Montreal, had interviews with other banks, went on to Quebec and had other interviews there, and corresponded with the banks in New Brunswick and Nova Scotia. The result was that we all took heart, gathered up our

forces, presented a united front to the government, and finally compelled attention to our views.

It is difficult at this day to imagine the enormous force of Mr. King's personality in the banking world at the time, and also the force of his personality with the government of the day. The fact above stated, that men of the calibre of Sir Hugh Allan and Hon. Wm. McMaster were disposed to succumb to it, is a sufficiently striking illustration of this.

As time went on it was evident that we were making an impression, and at length Sir John Macdonald saw that it was not desirable to press a measure which so many of his followers disapproved of, and against the further stages of which they would vote.

Shortly after this Sir Francis Hincks was made Finance Minister. He was unpledged and uncommitted. He was thoroughly acquainted with the business and requirements of Ontario, and grasped the whole position with the ability that distinguished him. He made proposals to the smaller banks. After several conferences a scheme was sketched out by which the banks were allowed to retain the whole of their circulation, except the small notes. This, with certain restrictions as to the amount to be issued, amendments to the government returns and modifications of the Dominion Note Act, became the basis of the future circulation of the country.

This was practically a defeat for Mr. King; but he took it philosophically, and met the other bankers in the conferences which took place in Ottawa, rendering admirable service in arranging the details of the Act by which the charters of the banks were amalgamated, and the whole business of banking in Canada placed under one statute.

The Bank of Montreal, meanwhile, was carrying on these vast operations in New York which were so highly profitable, and for which such immense scope was afforded by gold still continuing to be at a premium. Ontario was more and more drained of money to supply these great operations; and the business of the bank with the government was conducted in a style that affords a remarkable contrast to the dealings of the government with the banks of the present day. Immense profits were made out of the government account; and although

the bank had drawn very large sums from Ontario, its business in Montreal and in some other centres of wholesale trade was still on a large and profitable scale.

Even after the practical defeat of Mr. King's great measure for revolutionizing the currency, his predominance in the banking world proper continued to be as great as ever.

The capital of the bank was constantly increased, and issues of new stock made at such a premium as resulted in large profits to those who were already holders. The Rest continued to be augmented year by year, by amounts entirely unheard of at the present day, until the capital reached the enormous sum of \$12,000,000, and the Rest \$6,000,000. These figures, however, were not finally realized until a year or two after Mr. King's retirement. This placed the bank in a position far beyond anything known on the continent of America, and made it what it has ever since been, one of the largest banks in the world.

Mr. King's income from the bank during these years of abnormal prosperity was generally understood to be very large, being augmented by considerable sums allowed him yearly in the shape of a commission on all the profits exceeding a certain percentage—a somewhat dangerous arrangement, and one offering a great temptation to swell up profits by not making a proper allowance for bad and doubtful debts. Mr. King, however, was not the sort of man to make mistakes of that kind.

A few years after the passage of the Bank Act in 1871, it was announced that Mr. King would retire from the bank—an announcement which proved true. His retirement was the occasion of a magnificent presentation, and testimonials to his extraordinary career as a banker at the annual meeting of the bank in 1873.

Of his subsequent life there is little to be said. He retired to England in the possession of a very handsome fortune. It was supposed by some that he would take a leading position in the financial world there, but this he seems to have had no inclination to do. As chairman of the board of the Bank of Montreal in London, he kept himself in touch with the bank's operations, and it was understood that on one critical occasion he interposed with such effect as to overrule a decision come to

by the board in Montreal. Apart from this office, however, Mr. King took no part in the financial business of the metropolis. He lived a life of dignified ease, and on one occasion refused a seat in Parliament when offered. Occasionally he visited this continent, and spent a little time in New York and Montreal. On some of these visits I have met him and talked over old times, respecting which he was very chatty and agreeable.

His death at Monte Carlo brought to a close a career which was the most remarkable, by far, of any that have transpired in the banking history of Canada.

G. HAGUE

Montreal, 28th September

THE FUTURE OF BANKING

BEING THE ESSAY IN COMPETITION 1 TO WHICH THE FIRST PRIZE
WAS AWARDED

IN any attempt to forecast the future of banking it is necessary to find out on what lines trade and commerce are developing. By studying this in conjunction with the influences at work on banking from within, we may best determine the conditions under which bankers will likely labor in the future. We are told that deposit banking was the first form of banking to come into existence, and that receiving deposits and paying them back again in some form or other, is the natural basis of all banking. Bankers employ in the regular channels of trade the funds that are entrusted to them by depositors. Consequently the system of banking in force at any time, will be that best adapted for carrying on the commerce of the same period. As the subject does not confine competitors to a consideration of the form of banking in existence in any one country at a future time, the writer interprets the intention of the Committee to be a desire to have it discussed from a general view. There seems to be ground for the hope that in the next century Anglo-Saxons will exert a preponderating influence on the affairs of the world, on account of their energy and enterprise and their rapid ratio of increase in population. When we consider that at the commencement of the present century there were but 20,000,000 English-speaking people in the world, and that at the beginning of the last decade of this same century this number had increased to 101,000,000, anyone can see that our race, being pre-eminently a trading race, is bound to have a vast influence on the world's trade. While the United States may ultimately become the most influential trading nation, still the unfortunate condition of their financial affairs, and the inability of their legislature to cope with the difficulty, will prevent them from displacing England from the foremost

place for many years to come. It will be the purpose, then, of this paper to trace the lines on which trade is developing, and to deduce from that, and from the changes that are going on in banking itself, some of the conditions of future banking in Great Britain, the United States and Canada, giving special attention to Canada because it concerns us more directly. The mode of procedure will be to take each country and give an account of recent developments, first in the trade, then in the banking, and finally a recapitulation, with the opinion of the writer as to the state of affairs which will evolve from the influences and tendencies discussed.

GREAT BRITAIN

The prevailing tendencies which appear to be at work in British domestic trade are the conversion of private businesses into joint stock limited liability concerns, and the more general use of the cash system. Also there is the tendency of factories, mills, etc., to forsake crowded cities and locate in suburban districts, where rents, rates and other expenses are lower. The means of communication by telephone and telegraph, and railway facilities for carrying goods, have improved so much that there is no longer the necessity to have the factories in a congested district of a great city.

Another influence at work is that bringing about a more equal distribution of wealth. M. Claudio Jannett tells us that there are not now in France more than 700 to 800 persons who have an income of over ten thousand pounds a year, and not more than 18,000 to 20,000 persons with two thousand pounds and upwards; that the national debt of France has doubled since 1869, but the holders of it have quadrupled; that one-half of the bonds of the city of Paris are held by the owners of one bond only.

Mr. Goschen tells us of the increase of moderate incomes in England. Death duties tend in the levelling of large fortunes. Taxes on estates of deceased persons are graduated, from a small tax on modest estates up to as high as nearly 10% on very large ones. Mr. Shaw-Lefevre says that the laboring men have benefited enormously by the fall in prices of produce since 1873. This is supposed to have hit farmers and producers

hard, but it has raised the standard of living very materially, and many things which were formerly beyond their reach can now be had by persons of moderate incomes. On the other hand, it is a question whether farmers have not reaped enough benefit from the cheapening of the necessities of life, to compensate them for the decrease in the value of their produce. Besides produce, hardware, shoes, clothes, furniture, etc., have been immensely lowered in price. The cost of tea, sugar, oil and flour has decreased so much in twenty years that the wages of ordinary laborers go from 30 per cent. to 40 per cent. further than in 1873. The rich are not benefited so much by these reductions, as the mere cost of living is not such a large proportion of their total expenses.

In foreign trade there has been a continued depression since the Baring crisis of 1890, and business men have been much discouraged by its long continuance. It has been accompanied by an unexampled glut of money.

Causes advanced are: that the Baring crisis was not allowed to spend its force at the time, thus bringing on a protracted period of sifting out. Weak houses were carried along and afterwards dropped. Then before trade had time to recover came the Australian crash, and the panic in the United States in 1893.

Investments in foreign countries have temporarily almost ceased. Those who have money to invest have received bad scares from the events just mentioned, and by the bad faith of other foreign debtor nations, so that they have preferred allowing their money to lie idle in banks to buying the usual amount of foreign stocks.

Great Britain has been taxed quite heavily to maintain her lead over her rivals in the race for foreign trade. Whenever a continental power becomes possessed of a new colony, the first thing it does is to raise the "protection" fence, as the only means of enabling it to compete with British trade. Consequently in order to reserve markets for herself in the future, and to provide places where the overflow of population may concentrate, Britain has been compelled to join in the craze for empire building that is possessing the European nations.

Turning to the banking aspect, the most striking features

are the number and importance of bank amalgamations; the extension of branch offices; the rapid increase of deposits, and the inability of banks to find employment for this money in bill discounting, their accustomed way; the consequent heavy holding of cash and investment stocks.

The English *Banker's Magazine*, October, 1892, informs us that there were then 100 fewer banking firms than in 1867, and that 60 of these disappeared by amalgamation or coalition since 1884. In connection with this, the number of bank branches opened between 1876 and 1892 was 1,553, and of these about one-half were in places where no bank office was in existence before.

The causes of these amalgamations and establishment of branches are the same as operate in commerce to form joint stock companies and combinations; a desire to centralize management and reduce expenses. Banks are influenced too by the expectation of maintaining their profits by extending their operations into districts where higher rates prevail than in London. The majority of these coalitions are between a London bank on the one side and a provincial bank on the other. The city bank has discovered that rates are so low in London that it cannot maintain its dividend unless it can establish good country connections. In the country the nominal rate for three months trade paper is from $3\frac{1}{2}$ per cent. to 4 per cent., and the same paper in London is $\frac{3}{4}$ per cent.

On the other hand the country banker has not been making as much money as he used to, and he begins to think it is not worth while to have all the worry and carry the liability of his business for such small returns. As these profits go to swell the totals of the whole concern, if this bank is converted into a branch of a large bank, and the banker retains his interest in the business and has a voice in the management, and the London bank on its part gives a city connection and a seat in the Clearing House, it is not difficult to come to an agreement.

These amalgamations have affected profits favorably by increasing the prestige of banking generally. The public has more confidence in a few strong banks with numerous branches than in a large number of separate and smaller concerns.

Again a widely extended branch system is a great factor in

collecting deposits. Mr. F. E. Steele, in an article on "Recent Banking Development," considers that the branch extension craze has about run its course, because "in many neighborhoods there are signs that banking requirements, once neglected, are now adequately filled." He thinks that the branches now established will remain, and by the gradual growth of their business become increasing sources of profit.

Before going further it will be interesting to compare the number of persons to each bank office in some principal cities and towns in England, Scotland and Canada.

England	Scotland	Canada
Birmingham ..10,500	Aberdeen .. 5,500	Halifax....5,500
Bradford 18,000	Dundee 10,200	Hamilton..5,500
Leeds 19,300	Edinburgh.. 3,900	Montreal ..9,000
Liverpool.....11,300	Glasgow.... 4,700	Ottawa....4,000
Manchester.... 5,800	Greenoch .. 6,900	Toronto.. 6,000
Sheffield 21,900	Perth 2,500	Winnipeg..4,000

Of course the greater privileges in the way of note circulation enables the banks in Scotland and Canada to provide better accommodation to the public in the matter of bank offices than can their brethren in England.

The facility of attracting increased deposits by branch banks is the more important as the margin of profit on bank deposits declines. Banks must now turn over a much larger amount of business to earn the same net profits that they have in the past. As it has not been the general custom of English banks to publish their accounts until recently, it would be difficult to say how much bank deposits have increased of late years. Mr. Jas. Dick estimated in 1892 that total deposits in banks in the United Kingdom were £1,000,000,000, of which £114,000,000 were in the savings banks, leaving £886,000,000 in the hands of the other banks. We know that the deposits held by the National Provincial Bank of England have increased from £25,000,000 in 1875 to £42,700,000 in 1895. The following statement taken from August, 1895, number of the *English Banker's Magazine*, will show the increase in ten years of some banks' deposits, also the disposal they have made of the money.

JOINT STOCK BANKS IN ENGLAND AND WALES

108 banks, including Bank of England, in May, 1885.	
held deposits of.....	£318,000,000
100 banks, including Bank of England, in May,	
1895, held deposits of	456,000,000
Being an increase of £138,000,000, about 42%	

CASH IN HAND AND MONEY AT SHORT CALL

May, 1885	£ 82,000,000
May, 1895	139,000,000
Increase in ten years.....	£ 57,000,000, nearly 75%

INVESTMENTS

May, 1885	£ 86,000,000
May, 1895	128,000,000
Increase in ten years	£ 42,000,000, nearly 50%

DISCOUNTS AND ALLOWANCES

May, 1885	£253,000,000
May, 1895	306,000,000
Increase in ten years	£53,000,000, about 20%

JOINT STOCK BANKS OF SCOTLAND

DEPOSITS

May, 1885	£ 83,440,000
May, 1895	93,296,000
Increase in ten years	£ 9,856,000, or 12%

CASH IN HAND AND MONEY AT SHORT CALL

May, 1885	£ 15,000,000
May, 1895	22,000,000
Increase in ten years	£ 7,000,000, nearly 50%

INVESTMENTS

May, 1885	£ 24,000,000
May, 1895	31,000,000
Increase in ten years	£ 7,000,000, or 28%

DISCOUNTS AND ALLOWANCES

May, 1885	£ 64,000,000
May, 1895	61,000,000
Decrease in ten years	£ 3,000,000, nearly 5%

The increase in "Investments" and "Cash," and "Money at Call" is particularly noticeable, while in England the "Discounts" show a small increase and in Scotland a decrease. The prolonged depression and dullness in trade, and the many scares and losses which investors have had to face, have caused them to allow their money to accumulate in banks until times begin to improve. Mr. Giffen estimated in 1885 that the accu-

mulation of money in the United Kingdom was £200,000,000 per annum, and in the absence of the usual out-flow of money this immense sum is sure to make itself felt. This cause alone is sufficient to vastly increase the supply of loanable capital lying idle. But other causes have been at work also. The introduction of steam power has so increased the speed with which products and manufactured articles can be forwarded to distributing points, that much less capital than formerly is locked up in the shape of goods in transit. Also in the early part of the present reign much capital was used in building railways and in equipping them. The development of Australia and Argentine also required money. Then the cash system being introduced and wholesale and manufacturing firms becoming joint stock concerns trading on money borrowed from the public on debentures, has operated to decrease the amount of money wanted from banks. Bank chairmen report that cable and telegraphic transfers have materially lessened the number of bills for discount. Insurance companies lend largely on the security of their policies. On the head of all these causes we are told by Mr. W. R. Lawson in *Banker's Magazine*, that the next fifty years will witness a flood of gold. He says that in the "fifties" there was a glut of gold; but the production then was £26,000,000 a year. From 1870 to 1887 it declined continually.

In 1887 the production was	£21,000,000
" 1893 " "	31,500,000
" 1894 " "	36,000,000
" 1895 " " estimated was.....	40,000,000

Experts claim that from the Rand mines alone in the Transvaal £700,000,000 in gold will be taken in the next 50 years. Mr. Lawson declares that against the much smaller production of former years there were some extraordinary demands, such as Germany's new gold coinage, the accumulation of the war chests of Germany and Russia, the resumption of specie payments by the United States, and the gold reserve of the Bank of France was gathered. Now these demands have ceased, and we are confronted with an enormous increase in the supply.

The causes of the increase are: the discovery of new and rich mines, and improved methods and machinery by which old

abandoned mines can be worked at a profit, and therefore old mines are starting up all over the world.

As London is the only free and open gold market, the probability is that the precious metal will continue to pile up in the Bank of England, and thus make $\frac{1}{2}$ per cent. money a permanency. He concludes his paper by the suggestion that if the flood gets too heavy it may be necessary to close the mints to the free coinage of gold, or to limit its legal tender power.

All these things have operated to increase the amount of money in bankers' hands, and at the same time to decrease the amount which could be let out in bill discounting. As mentioned before, bankers have so far disposed of the additional money by largely increasing their cash on hand, and also their fixed investments. They buy consols, Colonial and Indian Government bonds, British railways and other first class stocks.

Another change has been working in the increasingly small amounts for which cheques are drawn. Not very long ago, when a customer drew on his banker for a less sum than twenty to twenty-five pounds, he would write him an apology, and explain that it was for some special purpose. Now, however, in every bundle of cheques paid by a bank there will be found a large number of them for small amounts, some even under twenty shillings. The increased facilities of parcel post and railway carriage of goods have made it so much easier for people in small places to buy at a departmental store in some different locality, and have goods sent to them; and the most convenient way of settling is to write out a cheque and send it by mail. The franchise, so to speak, of bank accounts has been lowered, and many more people make use of them now than in earlier times. Then a bank account was rather the privilege of the few than the habit of the many. The writer of the *Bankers' Magazine* article on this subject says in conclusion that the transmission of money in small sums like this is bound to be a considerable part of a bank's duties in the future, and that banks should meet the demand by issuing some form of prepaid cheque books for small amounts like the postal notes.

As a conclusion to the recital of tendencies in British banking, it is interesting to note the particulars of the formation of the "Robinson South African Banking Company" by J. B.

Robinson, the millionaire mine owner of South Africa. Of the capital of £3,000,000 two-thirds is invested in mining shares, and the remaining £1,000,000 in cash and advances to London discount houses. In his inaugural address the Chairman said: "He would never have agreed to concentrate his attention and energy on a bank which was intended to do ordinary banking business only, but his object had been to establish an institution which should be free to take up virtually any profitable business which might be offered to it, and to turn that business to the advantage of the shareholders."

While this might be a process of unloading mining shares on the public, still in these days of changes bankers will watch with interest the fate of this new bank formed on principles which must be startling to members of the fraternity all over the world.

THE UNITED STATES

A most bewildering set of influences is at work in the United States at the present time, and it would be a difficult matter to tell which will prevail. Here, as in Great Britain, the idea of centralization and combines seems to have taken root. In the United States, however, it finds vent more in the form of huge "trusts" than joint stock companies. In a trust a number of factories or mills controlling the out-put of a certain article of commerce will form the united business into shares, and all these shares will be handed to a few individuals as trustees. The different factories or mills preserve their identity, but their out-put and prices are regulated by the trustees.

American manufactures tend to increase steadily. The exports of manufactured articles have grown from \$68,000,000 or 15 per cent. of the total exports in 1870, to \$183,000,000 or 21 per cent. of total exports in 1894. Of course agricultural products form as yet the great bulk of the exports, but as the country fills up and more mouths are to be fed at home, and less space is left to do it with, the proportion of food-stuffs exported will decline. The enormous natural resources such as coal and other minerals, water power, etc., are factors which will contribute materially towards making the United States a great

exporter of manufactures. In produce just now the country is experiencing severe competition from Argentina, India, and Russia. For a long time they held almost a monopoly in European markets, but the development by railways of the three countries just mentioned, increased the production of the world so much that values have fallen immensely, thus affecting American exports considerably. The heavy exports of produce, combined with a steady flow of European capital into America, caused a net importation of gold as payment of the balance due United States, after meeting claims for interest on foreign capital and imports of merchandise. During the last few years, however, the tide has turned. Foreign investors have lost so heavily by manipulation of American railways and other investments that the country has become discredited, and a backward flow of capital to Europe is going on. Another factor has come into prominence. The spendings of rich Americans travelling in Europe have increased tremendously and are now estimated at considerably more than \$100,000,000 a year. These causes, combined with the decline in the value of exports, have converted the net imports of gold into a drain of the metal out of the country. A continued outward flow of gold in itself causes much inconvenience, but when it acts on defective currency and banking systems, as it does in the United States, the disturbance is increased. Many writers have dwelt upon the particular evils of both systems, and Americans themselves frankly admit that things are in a bad mess, but the difficulty commences when a remedy is proposed. There are so many local and selfish interests warring against each other that every attempt so far to effect a cure has proved futile.

Their legislature, instead of being a power to foster trade and prosperity, is one of the worst enemies of both. By its continual tinkering with tariffs and currency laws it has made itself the dread of the mercantile community, which scarcely ever knows what sort of a tariff it may be working under a year ahead.

Americans are much attached to their local banks, and seem to fear that large banks would be terrible monopolists. They reason that a bank established in a small town with capital subscribed by citizens, and two or three prominent

local men on the directorate, is more likely to accord them liberal treatment, and to advance money for development of local industries, than would a bank managed away off in New York, Chicago, or some other centre.

Perhaps the most striking feature in an American panic is the dearth of currency, although in normal times there is almost a redundancy of it. This is caused by simultaneous demands made by the nine thousand odd banks through the country on their bankers or agents in the reserve cities for cash to strengthen themselves and increase available resources. It has been pointed out again and again that with such a currency system as prevails in Canada this condition of affairs could not happen.

Many remedies have been suggested, some being modifications of the Canadian system; but pride will not suffer Americans to borrow anything from Canada. If their banks were allowed a free hand they would branch out in various directions, but the law does not permit this. Some of the banks in New York and other large cities are practically owned by two or three great capitalists, who also own the stock of other banks in desirable districts, which virtually act as branches of the central bank, although working under other names.

It seems likely that the continuance of the gold outflow will bring about periodical disturbances, and a premium on gold, and the Treasury will be forced eventually to face the loss of realizing on the \$350,000,000 of silver in their vaults and retire the silver certificate, and to give the National Banks the privilege of issuing notes on their general credit under proper safeguards for the public, by the formation of a guarantee fund or otherwise. If during these troublous times in the neighboring country, Canada goes on the even tenor of her way as she did in 1893, Americans cannot but be influenced by her immunity from these crises, notwithstanding the intimate trade relations of the two countries.

CANADA

Canada is primarily an agricultural country, and in the future she is destined to do her share towards feeding the more crowded sections of the earth. As her climate is not as

attractive as that of many other countries which are inviting settlement and development, it is natural to suppose that there will be no great rush of immigration until other places are more or less filled up. By a policy of protection some manufactures have been built up, but the principle of protection is bad, and it is not improbable that in time it will be universally recognized that it is poor policy to make the mass of the people pay more for an article than it is worth, in order that the money necessary to convert the raw into the manufactured article may be spent within the country. It is true that much of the tariff is required for revenue, but direct taxation seems to be a fairer method of obtaining the necessary revenue, than to place artificial restrictions on the natural course of trade, and to force money out of a particular class by the taxation of luxuries. When the forces which have been mentioned as working for a more equal distribution of wealth have been in operation for some time, it is possible that this will be more generally admitted.

As the farmers are always considered to be the backbone of an agricultural country, we will see how things are tending with them. In purely grain and produce farming it is not likely that joint stock companies will meddle. For every field that is sown the need of the personal superintendence of one more interested than a hired employee is so great, that this class of farming is more likely to remain in individual hands. Wherever the land is particularly adapted for grazing purposes our friends the large companies will come in again. This will apply to much of the land in the North-west, where there are illimitable pastures for cattle, sheep, hogs, etc., and where there are already large ranch companies at work. The capital required for this is larger than one man can easily provide.

Dairying and cheese-making are industries as yet practically in their infancy, which will be expanded immensely. The Dominion and provincial governments have taken very creditable parts in encouraging this branch of Canada's trade, and as the great point is to preserve the excellent quality of our articles, as well as increase the quantity, measures have been taken to prevent adulteration, and to ensure skill and care being used in the manufacture. More competition for the possession of the

British markets may be experienced from Australia in the future. At a recent meeting the chairman of one of their banks drew attention to the amount of dairy products imported by England, and that Australia's climatic and natural advantages in the way of wintering the stock without the great expense that was necessary in places which now supply a large part of England's demands, should give her a bigger share of the trade. However, Canada has a good start, and is earning a name for the purity and good quality of her product, and as long as she maintains that there is plenty of room for increase.

Our minerals and fisheries are in course of development. Mines are not being worked as extensively as they might be, but the introduction of improved machinery may remedy this by making it profitable to work some mines which would not pay under old systems. And as regards the fisheries, the Dominion government takes care to keep the lakes stocked from their fish hatcheries.

Coming to the forests, we see an industry that is doomed, like the fur-trade, to extinction, as population increases. Lumbermen are obliged already to search in many regions before considered inaccessible, for timber. It is only a question of time when our timber lands are all clear. Perhaps some other material will supplant wood in house-building as coal has already supplanted it for fuel. The fruit business in Niagara district is getting into the hands of a few large nurseries, who are buying more land and extending their operations every year.

Canada is doing her part manfully in assisting schemes for the extension of her shipping trade, and there is no reason why she should not in the future enjoy the profit from the carriage of her products to Europe.

In the retail trade of the country we see the same tendency to departmental stores mentioned before. As yet this movement is confined more to the large cities. It is interesting to note that this is a return, in a manner, to the original stores which existed during the early history of the country. Then there would be only enough business in one district for one store which dealt in everything, as the departmental stores do to-day. As population increased each man went into business in his own particular line. Now again we have the departmental

system on the cash basis, and it is gradually forcing weak traders to the wall. This will eventually prove a blessing to the mercantile community, because now there are too many men in business with little or no capital. They fail and offer so much on the dollar, and their creditors feeling that they will make less loss by accepting the offer, suffer them to continue in business. Their ranks are recruited from a certain class of young men who have good positions in strong business houses. They accumulate a sum of \$2,000 or \$3,000, and becoming ambitious, start business for themselves, perhaps with the idea that the difference between cost price and selling price of their goods is all profit. They give credit and get spread out, and the end is soon. Competition among banks is responsible for the existence of many of these traders. The wholesaler who carries one of this class enjoys perhaps good credit himself, and he will not suffer his banker to cull the doubtful stuff out of his discount line, because he knows that another bank will take his account and discount every piece of paper he chooses to submit. His banker knows this also, and as the account is a good one the paper is carried. If there was a good understanding between banks, and wholesale houses were unable to get paper of this class discounted, they would not be so ready to extend credit.

While on this subject it may be said that the desire of local managers to do more business and show more profits, often leads them to take paper that would not be approved by their head office. This is one of the evils of the branch bank system.

Turning to banking affairs, we know that the Canadian banking system is modelled chiefly on that of Scotland, with the exception that Canadian banks have greater freedom in regard to note issue. All that Scotch banks have been to Scotland, our banks have been to Canada. We learn from Dr. Breckenridge's history, of the beneficial results of the parental control exercised over the early banking legislation of Canada by the Imperial government. It is a matter of great importance that a new country should start right in these matters, and we have reason to be thankful to the Colonial Office for withholding the Royal assent from some unwise measures on banking.

Among the changes at work in Canadian banking, the first to be noticed is the tendency of bank note circulation to decline. The government returns show that the circulation increased steadily from \$11,000,000 in 1869, to \$29,000,000 in 1873. A period of depression then set in, and we find the bank circulation declined \$5,000,000 in one year. There was no improvement until 1880, when it bounded up to \$27,000,000. In 1881 it reached \$32,000,000, and in 1882 \$36,000,000. Then there were declines of three and two millions respectively in 1883 and 1884, then an increase to \$35,000,000, and ever since the tendency has been to decline. Much of the decline has been brought about by the greater use of cheques, and by the rapidity with which the notes find their way back to the issuing bank through the many new branches which have been opened. We learn from the history mentioned that in 1881 there were 287 branch offices of banks in Canada. This number had increased in 1894 to 444, and of these 225 were in places where there was no other bank. All these branches collect the notes of other banks in their district and hurry them forward for redemption as quickly as possible. The increased use of cheques seems to be the outcome of the more general use of bank accounts by the public. Nearly every small trader keeps a bank account, and pays his debts by cheque. It is the most convenient form of paying a debt, and besides a customer may throw on his bank all the responsibility of getting him a proper receipt for his payment. He knows that if the bank pays the wrong man, or makes a mistake in the amount, it does not affect him in the least, as the banks have to make good any errors of this kind. A customer's paid cheques (if payable to order), when returned to him at the end of the month, operate as the best receipts he could have. In future, then, we may expect no great increase in bank circulation, although the volume of business does expand. Circulation will be important chiefly as the means of providing currency to supply extra demands such as moving the grain, etc., and also as till money in banks and branches. Its virtue for this latter purpose is very great in enabling a bank to maintain at no cost to itself from \$20,000 to \$50,000 in the treasuries of its different branches for use when required, in addition to the notes actually in circulation. If it

were not for this privilege many branches would not pay expenses, and would have to be closed, thus withdrawing banking facilities from many places. It is in performing this duty, and in doing the work of an elastic, readily convertible medium, that our circulation will be useful in the future. It is almost invariably found to be the case that as countries grow older and richer, the circulation of the banks becomes a small item when compared with their liabilities on deposits. Of course, as we have mentioned before, at certain times of the year the circulation expands to do a certain work, but when that is accomplished and the extra currency is not required, redemption and contraction are rapid. The banks discharge their liability to a certain extent on this extra note circulation by contracting fresh liability to their depositing customers. Before leaving the question of note issue, a few remarks on the "Bank Circulation Redemption Fund" will be in order. No one denies that it is an excellent scheme in making absolutely safe to the public the bank circulation, and will prevent any runs on banks on circulation account, unless by some cataclysm a great number of the banks in the country were discredited. Still it is not a fair measure, and it is probable that some of the large banks only went in for it because they felt that it was necessary to do something to guarantee the solvency of all bank notes, or otherwise the government would try to compel them to secure their issues by government bonds, as is the case in the United States, or in some other obnoxious manner. If we had none but large, strong banks, it would not be so unfair; as it is now it enables the weak bank to issue notes that are just as good to the public as those of the Bank of Montreal. It is to be hoped that the banks will devise some more equitable plan of guaranteeing the note circulation.

The deposits of the Canadian banks have shown a steady and rapid increase. Public deposits have increased from \$30,000,000 in 1867 to \$187,000,000 in 1895. Periods of depression cannot check the growth, and the only years in which there has been any material decline were 1875 and in 1884, when there were shrinkages of \$9,000,000 and \$4,000,000 respectively. There are many districts in Ontario and Quebec where the farmers' deposits steadily accumulate year after year.

Sometimes this is in the face of a heavy drain on the savings of a district made by farmers sending money to their sons in Western States and our North-West, to start them on farms of their own. Bank managers situated in these places have noticed that when these drains cease, their deposits go up very rapidly. Canadians as a rule are a thrifty, hard-headed people, and their savings in the form of bank deposits will continue at a rapid rate. Taking the average annual increase at \$8,000,000 (a low estimate), Canadian banks will hold at least \$600,000,000 of public deposits by the middle of next century. Much progress is necessary before our banks reach anything like the figures of English banks. Following is a statement of capital and deposits of some of the principal banks in both countries :

CANADA

Bank of Montreal.....	\$12,000,000	\$34,000,000
Canadian Bank of Commerce..	6,000,000	19,000,000
Merchants Bank of Canada ..	6,000,000	11,000,000
Bank of British North America	4,866,666	8,000,000
Bank of British Columbia	2,920,000	5,000,000
Quebec Bank	2,500,000	7,000,000
Bank of Toronto	2,000,000	9,000,000
Molsons Bank	2,000,000	9,000,000

ENGLAND

London & Westminster Bank..	£2,800,000	£25,500,000
National Provincial Bank	3,000,000	42,700,000
London & County Bank	2,000,000	36,000,000
Lloyd's Bank.....	1,780,000	25,400,000
London Joint Stock Bank.....	1,800,000	16,000,000
Union Bank of London	1,705,000	15,500,000
Parrs and Alliance Bank	1,000,000	14,800,000

Canadian bank deposits, as well as Canadian bank shares, are nearly all held in Canada. Being an economical people, and exporting produce, etc., enough to pay the interest on foreign investments, and pay for their imports, and possessing a sound currency on a simple gold basis, with no element of confusion in it, the task of meeting the foreign payments is not a hard one for the banks to perform. This, we are told by one of our general managers, forms the heaviest demand made upon our banks. As the banks usually have a large balance at their credit in New York, they always have the option of purchasing sterling exchange in that market. The balance of trade between Canada and the United States is favorable to Canada, and pay-

ment of the excess being made in New York, tends to increase the balances of Canadian banks there. This tendency, combined with low rates for call loans, which is the usual form in which our banks invest their balances in the United States, serves to keep New York funds at a discount of from one-eighth to one thirty-second per cent. for a considerable part of the year.

It may be mentioned that the government is a serious competitor in the deposit-getting business. The total deposits in the Dominion government savings bank, and the post office savings bank, amount to \$46,000,000. Although our government has been most considerate in listening to the views of bankers before putting through new legislation affecting banks, still some of the present laws and conditions are not based on sound principles. The post office savings bank, and the law requiring banks to hold 40 per cent. of their reserves in Dominion notes, owe their origin to the financial exigencies and embarrassments of certain administrations. The money received on deposit is not invested in consols which are already issued and held by the public, as is done with the deposits in the English post office savings banks, but used for ordinary government expenditure, which would in the usual course be borrowed in England at a lesser rate, thus costing the country less and throwing more money into the hands of the banks to facilitate trade. No reserve is held against this, and if any considerable proportion of money were withdrawn, funds would have to be borrowed abroad to meet the demand. On the other hand, it must be admitted that banks are well rid of much of the deposits which the government holds. A large percentage of the depositors in government banks are women, who are easily alarmed, and their timidity would be a source of danger to a bank. The customers of the Birkbeck Bank in London, which sustained such a severe run in 1893, were largely women. The panic started in a most unreasonable manner. People perceived that some building societies were in trouble; the Birkbeck Bank was known to be connected with a building society, therefore the Birkbeck Bank was not safe. One and a half million pounds out of a total of a little over five and a half millions, were withdrawn between the 2nd and 16th September, and of this one

million pounds was demanded in three days. This will show bankers that although education has advanced, they are not free from runs even in this enlightened age.

It will be easily understood that timidity has much to do with the amount of money deposited in government banks, when we consider that the same rate of interest is paid by the government and the banks, yet it is much more inconvenient to deposit with and draw money from the government than to deal with the chartered banks.

The defects of the law regarding the proportion of Dominion notes to be held in a bank's reserve have been pointed out frequently. It militates against sound currency because it forces banks to meet their exchanges with a medium not fully covered by gold. It is rarely the case that more than 50 per cent. of the Dominion note issue is covered by specie. Part of the balance is covered by Dominion government bonds guaranteed by the Imperial government, and the rest simply by unguaranteed unissued bonds of the Canadian government. It is to be hoped that this blot on our currency system will be removed before very long. With reference to the small note circulation (that under \$5), perhaps the banks are well out of it. The amount in circulation does not exceed \$8,000,000, and it is questionable if this, divided amongst our banks, would pay for the extra risk and cost involved.

Turning to the chief outlets for the deposits of our banks, we find that loans and discounts to the public have increased from \$53,000,000 in 1868, to \$202,000,000 in 1895. However, there does not seem to be as much reason for hoping that this item will expand as the deposits will in the future. The causes which are at work in Great Britain are to a much less extent in operation here, although the accumulation of savings in an old wealthy country like Britain is far in excess of what is saved here; still our bankers have complained at sundry times of the amounts of money which they have been compelled to place out at low rates, because there was no demand for it by the regular discounting customers. The possibility of more British money than usual finding its way to Canada in the future is not to be overlooked. The British investor has received some nasty cracks in nearly every part of the world of

late years, and is just now sitting down on his money and turning a deaf ear to the foreign and colonial company promoter. Australia has given him a rude shock, and he does not like the way they have treated him in converting his deposits into bank stock. The United States has swindled him dreadfully in some of his railroad deals. South America, Spain, Portugal and Russia are not looked upon as tempting places for investment. Although Canada has not the resources of the United States, she has not sinned very grievously in financial matters; and we hope to have our turn some day. Just now South Africa seems to be the only field which British capitalists will consider, and mining shares of companies operating there have been tremendously inflated, and future profits have been anticipated to such an extent that a collapse is inevitable. So that when John Bull gets tired of South Africa, perhaps some of his money will find its way to Canada. Already we hear of a boom in British Columbia mines. One syndicate proposes to sink \$2,500,000 in 1896, and other indications point to great activity in the development of the gold mines in the province.

A form of competition which has not yet developed in Canada as much as it has in the United States, is that of the express companies in transferring money. Their rates are cheaper than banks charge their best customers on small sums, and for sums over \$100 a fraction over $\frac{1}{8}$ of one per cent. to transfer money almost anywhere. They are very aggressive, and in some of the cities supply the wholesale houses with large quantities of requisitions for their orders, with instructions therein, showing where to go to purchase them, and giving rates. The wholesaler is requested to forward these with his statements of accounts to country merchants, and he does so because he gains by the deal also. If the country dealer sent him a cheque on his local bank, the wholesaler would be charged a commission on it by his bank, but if an express money order is sent it goes at par at all the banks. The banks in many places play into the hands of the express companies by taking these orders without charge and forwarding them to Montreal or Toronto, thus enabling their rivals to carry on the business with reserves or funds only at one or two places. If the usual

commission was charged on these items, and people were obliged to cash them all at the offices of the companies, they would be compelled to keep funds at many different places, and perhaps would not find the business so profitable. It seems also that steps could be taken to frame some law to prevent the practice. It is a form of receiving deposits at one place and paying them back at another, and thus is one of the privileges that should belong to banking.

Coming now to the experience of our banks in profit-making, we find that the larger capitalized banks have great difficulty in maintaining their profits, while those with capitals smaller than \$3,000,000 tend to increase. The inference is that the capital of the former is too large. They admit this, and know that they could earn quite as much money on smaller capitals. There are, however, difficulties in the way of reducing; apart from the risk of having a certain amount of discredit cast upon them, there is the necessity of special legislation, or the consent of the Treasury Board of the government, before capital can be lessened, as the creditors of the bank lose the security of the double liability of the shareholders on the amount of the reduction. Then, on the other hand, there is the hope that as the volume of the business of the country increases, they will get their share of the increase, and as there is a decided tendency towards a reduction in the number of banks in operation in Canada, the business of the large banks will gradually increase to such a point that their present capitals will not be unwieldy. While the smaller banks are calling up fresh capital, the larger ones can stand an enormous increase in the volume of their business without changing their capital at all.

The tendency of the banking capital of the country is to a steady increase. In the English *Banker's Magazine* we find it laid down as a principle that to keep a business from dwindling it is necessary that there should be an annual increase in capitals and reserve funds combined of at least one per cent. This is more than maintained in Canada, as will be seen by the following statement, compiled from Garland's "Banks and Banking."

Year	Capitals and Reserve Funds	Increase	Decrease
1883.....	\$78,909,451		
1884.....	79,944,649	\$1,035,198	
1885.....	79,570,045		\$ 374,604
1886.....	79,160,511		409,534
1887.....	78,145,906		1,014,605
1888.....	79,284,024	1,138,118	
1889.....	80,661,242	1,377,218	
1890.....	81,997,604	1,336,362	
1891.....	84,966,132	2,968,528	
1892.....	87,025,130	2,058,998	
1893.....	88,559,158	1,534,028	
1894.....	89,153,745	594,587	
1895.....	89,862,190	708,445	

Events which have already transpired in 1896 do not point to the addition of any considerable amount this year. Between 1880 and 1886 five banks came into existence, and between 1883 and 1896 eight have closed their doors. As the minimum of capital paid-up and subscribed was raised in 1890 to \$250,000 and \$500,000 respectively, and as a general impression exists that there are too many banks now, and that any increase in the banking requirements of the country can be met by increasing the capital of the existing banks, there is reason to believe that few, if any, new banks will be started in Canada for some time. Again, Dr. Breckenridge and others have pointed out that there are not wanting signs that the present number of banks doing business in the Dominion will be less before many years. It is now ten years since a new bank has entered the field. Scotland has been instanced as the country where banking is most similar to our own system, and the number of banks there has been reduced from 30 to 11 in 75 years. Experienced observers consider that Canada is passing through a critical period just now (spring of 1896). There has been a long continued depression, and profits in all lines of trade have been nominal only. For the quarter ending March, 1896, the failures in Canada are given as 781, against 581 for the corresponding period of last year. It is claimed by some that there was much bolstering up during the crisis in the United States in 1893, and banks carried doubtful accounts over, rather than let them go at such a critical time. The weeding out process has been going on since. The striking diminution in the amounts added to banking capital in 1894 and 1895 seems to

bear out this contention. The general managers in their annual addresses tell us that the great factor in diminishing profits is losses, and if there were no losses, banks in Canada might pay dividends of from 15 per cent. to 20 per cent., like those in England. The suspension of the Banque du Peuple has caused a lot of small failures in Montreal, which have aggravated the situation considerably. Our banks are now, however, better equipped to cope with bad times than before, because their available resources are increased because of the better understanding which exists between them. This has been brought about by the instrumentality of the Canadian Bankers' Association. Formed only five years ago, the Association has already done invaluable work in protecting banking from mischievous legislation, and in endeavoring to minimize competition between banks. At every annual meeting, mention is made of some detrimental piece of law making that has been stopped by the Association. Negotiations have been in progress for some time looking to a reduction in the risk of moving bank reserves, and in effecting clearances, by having special legal tender notes issued, which will be negotiable only between the banks and the different Receivers-General. Much good has also been effected by the publication of the JOURNAL and the institution of prize essay competitions, in increasing the general knowledge of banking among bank clerks.

One of the most important of its experiments and one that will be watched most closely in its results, is an arrangement which is now receiving its final revision. This is a schedule of exchange rates. There have been many complaints at bank meetings of the way the insane competition in exchange rates had lessened profits, and this is the first concerted attempt to remedy the evil. Before this individual banks with branches in the same place or district have occasionally entered into arrangements *re* interest rates, etc., but it has never worked well. The difficulty has been that some banks violated the arrangement, and this has caused much distrust and prevented agreements being formed on a large scale. One bank will say, "What is the use of one bank entering into a contract like this, when the bank that abides loyally by its agreement is going to lose business to another less scrupulous competitor?" Hitherto

most of the banks have been content to sit down and do their best to hold their business together, and wait for the evil to remedy itself. Now, however, that so general a contract is to be entered into, it is to be hoped that it will be successful. It is true that means of communication have improved so as to lessen the expense of transferring funds and goods of all kinds. Still, as the rates proposed are fair and reasonable, and not exorbitant, there is no reason why it should not receive a fair trial. In time we hope to see our Association as powerful as the association of the banks in Scotland, which regularly adjusts the minimum discount and maximum interest rates.

To conclude, we will now give the opinion of the writer as to the conditions of banking and commerce that will exist well on in the next century, which he believes would most naturally result from the working out of the influences and its tendencies discussed in this paper.

We have in Great Britain a few large banks performing all the business of the country, and carrying on the enormous trade with China and the East, which is certain to develop in the next century. Their deposits continue to increase, and we see them holders of immense amounts of cash and investment stocks, a logical outcome of the cash system in retail trade. Successive industrial revolutions, such as development of electricity, and new inventions of all kinds, will help supply outlets for the accumulation of deposits. The banks devote more attention to the transfer and remittance of money than they have done in the past.

We see the decimal system of coinage and the metrical system of weights and measures in general use all over the civilized world.

In the United States we see much trouble and distress caused by the continued out-flow of gold acting on their muddled currency and banking systems, periodic returns of crises and currency famines. Gradually they are forced to make a change, and Canada being nearest and having stood the test of going through these troublous times without disturbance, notwithstanding her intimate trade relations with the United States, efforts will be made to model their system more on that of our own. The restriction to one place of business will be with-

drawn from their banks, and they will be permitted to issue notes up to 50 or 75 per cent. of their paid-up capital on their general credit, upon providing satisfactory guarantees for the protection of the public. Straightway amalgamations, purchases, and assumptions of control over country banks commence on the part of the large banks in New York, Chicago and other cities. The Treasury goes out of the banking business, and upon the banks devolves the duty of meeting the foreign exchanges of the country. Silver certificates are withdrawn and the currency placed on a gold basis.

In Canada we have the 38 banks now doing business reduced considerably in number. We see the country a great exporter of live stock, produce, butter and cheese, minerals and fish, supplying the wants of more crowded manufacturing nations. Such manufactures as can exist without protection will still be going. The banks will find ample employment for their funds in gathering and transporting produce to different parts of the world. Pork packing and other factories for preparation of dead meats, and canning factories for fruits and vegetables, will increase in number. The grain trade is in the hands of strong firms such as the Ogilvie Milling Co. and the Lake of the Woods Milling Co., and large ranch companies are in charge of stock raising operations. The more universal use of the cash system and growth of departmental stores will weed out the small, weak traders, and will lessen credit and also bank losses. As the banking business of the country is in fewer and stronger hands, it may be hoped that the better understanding and perfect control over the trade of the country exercised by our banks, largely through the instrumentality of the Bankers' Association, will enable them to prevent inflations of trade and also many of these constantly recurring periods of depression.

There will be preparatory schools where intending candidates for admission to banks may receive three or four months' training in the methods of book-keeping in use in the banks (we assume that banks have adopted a general system of book-keeping), and the knowledge of putting through entries, and other routine work, that bank juniors have to perform. These schools may not be under the control of the banks, but officials of the banks will set examinations, and supervise the arrange-

ments of the exercises. It will not be necessary then to consider a junior clerk upon entering almost useless until he has been taught how to do things, which often takes a year under the present system.

The banks all have generous pension funds for their officers, and any employee who has served a bank faithfully all his working days, will be assured of a handsome allowance for the rest of his life.

These conclusions are based on the supposition that there will be no great political disturbances in the world. Of course a great war in which Great Britain was badly crippled might change the aspect of affairs.

Perhaps much of the foregoing may appear Utopian, but no one can deny that events are tending towards many of the results arrived at, and evils have a tendency to right themselves in time. Everything seems to point to a better and happier state of affairs. Witness the efforts of the London County Council to stamp out the slums of Shoreditch and Bethnal Green, and build clean, well-ventilated tenement houses, and wide, well-lighted streets, where these sores have been festering in the heart of London for such a long time.

H. M. P. ECKARDT

PROCEEDINGS OF THE FIFTH ANNUAL MEET- ING OF THE ASSOCIATION

THE fifth annual meeting of the Association was held in the Tower Room of the Parliament buildings in the city of Ottawa, on Wednesday and Thursday, the 9th and 10th days of September, 1896.

The chair was taken by the President, Mr. Thos. Fyshe.

The following members were represented :

BANK	REPRESENTED BY
The Bank of New Brunswick	- Hon. Senator Lewin
The Bank of Nova Scotia	- - Thos. Fyshe
The Bank of Toronto	- - - D. Coulson
The Banque d'Hochelaga	- - M. J. A. Prendergast
The Bank of Hamilton	- - - J. Turnbull
The Bank of Ottawa	- - - Geo. Burn
The Bank of British North America	- D. Robertson (proxy)
The Banque Ville Marie	- - - Wm. Weir
The Banque Jacques Cartier	- T. Bienvenu
The Canadian Bank of Commerce	- B. E. Walker
The Eastern Townships Bank	- Wm. Farwell
The Imperial Bank of Canada	- D. R. Wilkie
The Merchants Bank of Canada	- Geo. Hague
The Molsons Bank	- - - A. B. Brodrick (proxy)
The Merchants Bank of Halifax	- W. B. Torrance (proxy)
The Peoples' Bank of Halifax	- - D. R. Clarke (proxy)
The Union Bank of Canada	- - E. E. Webb

The following Associates in addition to those representing members were present : Messrs. B. Austin, Coaticook ; W. J. Anderson, Ottawa ; M. A. Anderson, Ottawa ; W. Wallace Bruce, Ottawa ; A. M. Crombie, Montreal ; D. M. Finnie, Ottawa ; H. Frost, Montreal ; Robt. Gill, Ottawa ; A. L. Hamilton, Dunnville ; F. G. Jemmett, Parkhill ; F. Jemmett, Prescott ; H. Jemmett, Thorold ; J. Laframboise, St. Hyacinthe ; W. L. Marler, Ottawa ; M. Morris, Seaforth ; H. P.

MacMahon, Aylmer ; E. L. Pease, Montreal ; Frank W. Strathy, Ottawa ; A. M. Smith, Kincardine ; E. M. Saunders, Chatham, Ont. ; A. Simpson, Ottawa ; A. A. Taillon, Ottawa ; A. B. Van Felson, Quebec ; C. Malcolm Wiggins, Ottawa ; E. P. Winslow, Almonte.

The Counsel of the Association, Mr. Z. A. Lash, Q.C., Toronto, was also present.

The meeting was called to order at noon.

After the Secretary, Mr. W. W. L. Chipman, had read the notice calling the meeting, the President declared the meeting open for business.

Mr. Geo Burn, general manager of the Bank of Ottawa, and chairman of the Ottawa sub-section of the Association, welcomed the visiting bankers in the following terms :

It gives me very much pleasure, on behalf of the banking fraternity in Ottawa, to offer you, Mr. President and gentlemen, a very hearty and cordial welcome to our city. In doing so, I express the sentiments not only of the banking fraternity in Ottawa, but of our citizens generally, who appreciate very highly the honor done their city by this visit. Though we must not lose sight of the chief object of our meeting, every opportunity will be offered the visiting members of this Association to enjoy whatever attractions and matters of interest our city and its neighborhood have to offer, and among these must not be forgotten the sitting of Parliament, where you may have the opportunity of hearing some of the best speakers in the country discuss public affairs. I have much pleasure in announcing that the following have opened their doors to the visiting bankers : The Rideau Club, the Ottawa Athletic Association, the Rowing Club, the Canoe Club, the Golf Club, the Aylmer Boating Club and the E. B. Eddy Company. The honorable Mr. Speaker of the House of Commons has also put at our disposal cards of admission to the galleries of the House. We have also been offered an excursion down the river by Mr. W. C. Edwards, M.P. for Russell County, on his steam yacht, which will carry thirty or forty people. The Ottawa Electric Street Railway and the Hull Electric Railway have offered to take parties of visitors over their systems on special cars ; and all those interested in machinery are invited to visit the works of Mr. Eddy, at Hull, which will be found well worth a visit. If time permits, other excursions can be arranged for, and I will simply close by repeating our welcome to Ottawa of this Association.

THE PRESIDENT:—I have great pleasure in expressing our thanks for the cordial manner in which Mr. Burn, on behalf of the Ottawa bankers' committee, has welcomed us to Ottawa, and for the trouble that Committee have evidently taken to make our visit pleasant as well as profitable. To those of us who live down by the sea, it is certainly refreshing to visit localities where the atmosphere is somewhat more rarified than it is with us, and where it is consequently much easier to keep our spirits up without artificial stimulant. Your city of Ottawa, Mr. Burn and gentlemen, is not only one of the largest in the Dominion, but certainly one of the handsomest. No one visiting it can fail to be struck with the dignity and artistic beauty of the Parliament buildings, of which the eye never tires, and which are set in a scenery that cannot be surpassed, with the majestic river flowing at their feet, and the Laurentian Mountains in the distance completing the picture. I must say also that this city gains by the associations connected with it, because we have always had more than fair success in all our dealings, especially those of a professional nature, with the legislators and others with whom we have come in contact in this the capital of the Dominion. I look forward with great hope to our being equally successful in the future, and I am sure that in this particular meeting we shall have all the pleasure and success that we can expect. I again thank you, Mr. Burn, and the members of the Ottawa committee, on behalf of the Association, for the very kind welcome you have given us.

At the suggestion of the President, the minutes of the last annual meeting were taken as read, and confirmed.

REPORT OF THE EXECUTIVE COUNCIL

Mr. Chipman, the Secretary, read the annual report of the Executive Council, as follows:—

To the Members and Associates:

The Executive Council beg to present a report of the proceedings of the year now closed.

SPECIAL LEGAL TENDER NOTES

It formed part of the business of the last annual meeting to refer back to the out-going Council for further consideration the matter of the special legal tender notes intended for the exclusive use of the banks. In view of the report of the committee appointed to confer with the government, which will be communicated to this meeting, it is only necessary to refer to the circular which was issued to the banks under date of 22nd August last, announcing that the special legal tender notes were then ready in the hands of the Deputy Minister of Finance for delivery to the banks; thus completing one of the reforms of the Dominion Note Act which has been under consideration of successive Executive Councils, more or less, ever since the organization of this society. The increased security thus afforded the banks in the matter of the safe keeping of reserves, and payment of clearing house indebtednesses, must be obvious to all concerned.

MINOR PROFITS IN BANKING

Under your resolution passed at Quebec last year, the incoming Council were desired to organize a committee of banks to consider this question of minor profits, looking to reforms of practice. They named the banks doing business in Montreal, together with the Eastern Townships Bank, as such committee. This committee met, and adopted a schedule of rates affecting transactions between banks themselves, and between banks and their customers, which came before your Council for consideration in March last, and then underwent considerable amendment. The final adoption of a schedule was postponed until further consideration could be had by a committee of banks in Ontario, and to this end the Council named :

Six banks with head offices in Toronto,
 One bank " " office " Hamilton,
 " " " " " " Ottawa,

to whom the subject was referred, and in whose hands it still rests, and who will report progress at this meeting.

It should still be possible to disentangle this subject from its surrounding difficulties, and to devise some plan whereby shareholders' capital entrusted to the banks for employment, shall not be called upon to perform so many unremunerative duties as it now does in all the provinces.

LEGISLATION

During the closing session of the last Parliament the Council had their attention called to a certain Bill then before the House, having as one of its provisions, that whenever interest is payable by the agreement of parties, or by law, and no rate is fixed by such agreement or law, the rate of interest shall be four per cent. per annum—in other words that the statutory rate of interest should be reduced from six per cent., at which it had stood for a long series of years.

Your Council felt that this Bill, if allowed to become law, would be greatly detrimental to the public interest, and be a direct inducement to borrowers to make default in the payment of their obligations. They took steps along with the Bankers' Sections of the Boards of Trade at Toronto and Montreal, and the sub-sections of the Association at Ottawa and Winnipeg, to influence public opinion against the Bill. With their help, and the able support of the Counsel for the Association, Mr. Lash, and that of a delegation of bankers from Montreal, Toronto and Ottawa, the Bill was defeated in Committee.

OTHER LEGISLATION

Bills were presented and read a first time in the House relating to and amending,

The Winding-up Act,
 The Bank Act,

and introducing an insolvency law. These not having progressed to a second reading, your Council were not called upon to take a course of action respecting them, but had and still has them carefully in view, nevertheless.

CO-OPERATION

The advantage of united action through the Association was fully demonstrated in dealing with the important legislation before the House at Ottawa, to which allusion has been made. It was then apparent that affiliated or non-affiliated Sections could only act to the best advantage by surrendering their individuality for the moment and making the Association and its Executive Council the sole channel through which to exert our influence with the Legislature. This surrender need in no way diminish the individual

support which members of the banking profession can and should give in furthering any object taken in hand by the Council, but it is clear that separate or isolated action of banking sections in any centre, while involving additional work, is more calculated to weaken than to strengthen our influence.

SUB-SECTIONS AND AFFILIATION

Amongst the earliest resolutions upon our minute book is the following:

"That the Association strongly recommend that sub-sections be formed in all places where there are three or more chartered banks."

Your Council desire that the Associates should not overlook the usefulness of these sub-sections, and that in their formation steps be taken to have them embrace not only ordinary formal business, but afford scope for lectures, study and intercourse with brother officials. There can be nothing arising in these sub-sections inimical to individual banking interests as no matter what scope the discussions on any subject may have, no action could follow from them making any radical change of practice without the consent of the bank's head offices.

In the matter of affiliation it is also on our books "that sub-sections be requested to affiliate themselves with the Board of Trade of their respective cities and towns." This pre-supposes that all banking organizations throughout the Dominion shall first regard this Association as the parent one, and your Council trust that no organizations will be formed that are not first of all in this proper and natural relationship.

It is satisfactory to note that the influence of bankers on their several Boards of Trade has been effective, and their work appreciated by the mercantile community at large, and has dispelled all fear that the result of this form of alliance of banking and trade interests would be otherwise than beneficial.

REPORTS OF SUB-SECTIONS

The reports of the sub-sections at Winnipeg and Ottawa will be submitted and read separately.

THE JOURNAL

The Council have to express their congratulations to the Editing Committee upon the continued excellence of the publication of this quarterly volume and its ever increasing value, and they bespeak your careful attention to the report which will be presented to you for the past year. The chairman of the Committee, Mr. Plummer, has had as his associates Messrs. Henderson and Hay, and as corresponding members, Messrs. Burn, Stanger and Knight.

PRIZE ESSAY COMPETITION

For some reason, not yet ascertained, there has been a considerable falling off in the number of competitors in the prize essay competition, which closed on the 15th May. The special committee appointed to select subjects, has also acted in the matter of making awards, and their report containing the names of the prize winners will be made known to you in due course.

LEGAL ADVISER

Following up the suggestion thrown out at the last annual meeting, the Council had under careful consideration the relationship of Mr. Lash towards the Association, both as solicitor, and as a hitherto generous adviser in connection with the legal notes appearing in the JOURNAL. It was deemed advisable to decide upon an annual fee which would cover an examination of the various Bills, etc., public and private, introduced into the Dominion parliament and eight provincial legislatures, as well as interviews and correspondence relative thereto, with the Executive and others—advising

and assisting the Editing Committee respecting the legal notes for the JOURNAL, and for advice and opinions upon all matters requiring attention of Council. An arrangement in every way satisfactory to Mr. Lash was concluded with that gentleman in March last, to be continued from year to year.

Regarding the President's circular of 4th May last, it may be of interest to learn that twenty-two banks became sharers in the arrangement to retain the services of the several members of the firm of Messrs. Blake, Lash & Cassels, as therein referred to.

UNFINISHED BUSINESS

In addition to the several matters recited on page 21 of vol. III of the JOURNAL, as remaining to be discharged by our successors in office, the minute book discloses the following:—

5. Resolution of Council, 26th March, 1896,—to obtain at the first possible moment an amendment of Chap. 127 of the Revised Statutes, whereby every judgment debt in the province of Manitoba, shall bear interest at six per cent. per annum, until satisfied.
6. Motion, page 54 of vol III, recommending the naming of a sub-committee to interview the Dominion government with a view to obtain a reduction in the rate of interest paid on government and post office savings bank deposits to three per cent.

SPECIAL RESOLUTIONS

1. A question involving grave issues to banking generally, arising under section 98 of the Bank Act, came before your Council, and at the instance of the bank specially concerned therein, they forwarded a strong protest to the Attorney-General and Minister of Finance against any use of the names of the Attorney-General, or Minister of Finance, by any private person, in any proceedings under the section named before the bank interested in such proceedings had had an opportunity of being heard. The protest was duly acknowledged by the Minister of Justice.

2. It will be remembered that criminal action was entered by one of the banks in the province of Quebec against the members of a trading firm who obtained advances by means of a false statement of their affairs. They escaped conviction on a technicality, and your Council, upon representations made by the prosecuting bank, urged upon the Attorney-General of Quebec the institution of a new trial. The Attorney-General, then in office, in acknowledging the resolution of Council, said: "I fully appreciate the fact that a principle is involved in this matter of great interest to the banking and business community in general," and "I do not intend to abandon proceedings against the accused."

Your Council therefore express the hope that the ends of justice may yet be satisfied, and dishonest borrowers deterred from approaching the banks.

MEMBERSHIP

At the close of the financial year, 30th June, we had on the books
28 Members
941 Associates

Your Council find, at the time of writing this report, that
693 Associates have since renewed their subscriptions,
124 new Associates have joined,
248 old Associates have yet to be heard from.

All respectfully submitted for the Executive Council.

THOMAS FYSHE,
President.

On motion of the President, seconded by Mr. Farwell, the report of the Executive Council was adopted.

SPECIAL LEGAL TENDER NOTES

Mr. B. E. Walker then presented the following report of the committee on the issue of the special legal tender notes by the Dominion Government :

The Committee appointed at Quebec, 12th September, 1895, and authorized to complete arrangements with the Dominion Government for the issue of special forms of legal tender notes for use only by banks, beg to report as follows :—

All difficulty in the way of the issue of such notes having been removed, the forms have been engraved and are now obtainable by banks.

An assessment was made in May, 1895, to cover the cost of producing these notes, to which twenty-nine banks in Canada contributed the sum of \$2,775. Four banks refused to pay assessments amounting in the aggregate to \$70, while five banks which are not members of the Association or of any Clearing House, and whose aggregate capital is less than \$900,000, were not assessed.

An account of the expenditure is attached, showing a surplus of \$125, which has been paid to the Secretary-Treasurer and awaits the disposition of the Association.

Subscriptions by banks.....	\$2,775
Cost of engraving plates	\$2,550
Legal opinion.....	100
Balance to be paid to Treasurer C.B.A.	125

\$2,775 \$2,775

B. E. WALKER
For the Committee

Mr. Walker moved that the money left over from the fund to provide for the cost of these legal tender notes, be paid into the regular and ordinary funds of the Association.

This was agreed to.

The President moved that the report of the committee be adopted. Motion agreed to.

FINANCIAL STATEMENT

The Secretary read the financial statements of the Association as here presented :

GENERAL STATEMENT

Revenue		Cash	
Balance brought forward	\$3,365 93	In bank	\$359 58
Members' subscriptions	\$2,740	Due by sundry banks	1,000 00
Associates' subscriptions	941		<u>\$1,359 58</u>
Bank interest ..	59 57	Charges.....	4,143 86
	<u>\$7,106 50</u>	Journal expenditure.....	1,378 36
		Office furniture	224 70
			<u>\$7,106 50</u>

GROSS REVENUE ACCOUNT

June 30th, 1895		June 30th, 1896	
Balance brought forward..	\$3,365 93	Charges	\$4,143 86
June 30th, 1896		Journal expenditure	1,378 36
Bank interest	59 57	Balance carried forward ..	1,584 28
Revenue account—			
Members' and Associates'			
subscriptions	3,681 00		
	<u>\$7,106 50</u>		<u>\$7,106 50</u>

W. W. L. CHIPMAN,
Secretary-Treasurer.

The question of how the deficiency between the annual revenue and expenditure of the Association should be met, was taken up and after some discussion it was moved by Mr. Walker

That the Executive Council take into consideration, during the ensuing year, the expediency of increasing the fees of Members fifty per cent., or as an alternative, making special assessments annually for all legal charges, made directly by the Association.

MR. FARWELL—I second that motion. I do not think there is a bank which is not interested in the continuance of this Association. It is true that for a few years the Association may not have very important work to do, although there is always some work from year to year, but the renewals of bank charters are coming on one of these days, and certainly the Association ought then to be in full force.

Motion agreed to.

The President moved, seconded by Mr. D. Robertson, that the report of the Secretary for the year ending 30th June, 1896, now submitted, be received and referred to the auditors for examination. Carried.

Messrs. Marler and Taillon were on motion appointed scrutineers for this meeting.

The Association adjourned until three o'clock in the afternoon.

SECOND SESSION

WEDNESDAY, Sept. 9th.

The afternoon session opened at 3.30 o'clock, when the President delivered his address as follows:

PRESIDENT'S ADDRESS

The past year in Canada has been one of much anxiety to bankers, as well as to business men generally; and, with the exception perhaps of Manitoba, it has not been a good one for the farmers. Prices of all commodities have ruled abnormally low, and profits have probably never been smaller.

Bank reports have reflected this state of things, as they have been almost uniformly unfavorable; and the failure barometer speaks to the same effect. The country as a whole has not had a prosperous year, although some parts of it have suffered much worse than others, while some have done fairly well.

It is easy enough to point out some of the special causes producing these results, but it is not so easy to give an adequate account of the whole. Indifferent or poor crops in Ontario; the shrinkage of real estate values in Toronto; the collapse of fish prices in the maritime provinces, may be mentioned as special causes of disturbance; but the general low range of prices, coupled with a keenness of competition such as has probably never been experienced hitherto, and the consequent extreme difficulty in making profits and avoiding losses, would seem to point to more general causes, affecting us along with the world at large.

The most conspicuous feature of the commercial and industrial world at the present time is undoubtedly the unprecedentedly low level of general prices, with what are supposed to be its concomitant results--small profits, increasing failures, lethargic enterprise and depressed trade.

The agricultural interest is supposed to have suffered with especial severity--not perhaps without good reason, for in Britain the farmers have been long burdened with excessive rents (established before the prairie lands of the west and the pampas of South America began growing wheat for the English market), and which are being only slowly and painfully reduced through the gradual ruin of a whole generation of tenant farmers.

On this continent also the farmers may claim to have suffered with exceptional severity, for the crushing burden of

"Protection," so called, has had to be carried in great part by them. And both on this continent and in Europe the agitation on behalf of bimetallism has come largely from the farmers and land-owning class, actively aided of course by the owners of silver mines and their following. This agitation has, in the United States, now reached the acute stage, and is the burning question of the day. It has developed into a passionate demand for the free coinage of silver at the ratio of 16 to 1, or nearly double its intrinsic value,—the silver dollar to be a legal tender for all debts whatsoever.

The movement has been fathered by one of the great political party conventions, and endorsed by the Populists, who are said to control a million votes; and the keenest anxiety as to the issue is now felt by all serious-minded men throughout the country, and wherever there is an interest in American business or American investments. It has turned what would otherwise have been a promising industrial outlook into one of the most forbidding—threatening universal confusion, panic and temporary ruin to all the substantial interests of the country, and the wholesale robbery of labor.

Early in January of the present year, even after the deplorable and disastrous message of President Cleveland regarding the Venezuelan dispute, a well known commercial and financial authority stated that every condition throughout the country favored progress except the currency embarrassment. Railroad earnings were good; the production of steel and iron was unprecedentedly large; the grain harvests had been excellent; bank clearings were increasing, and great advances in wages had taken place during 1895, indicating general activity in trade. Again on the 15th February the same authority wrote as follows: "In one week congress could, if it would, put our finances on a sound money basis, taking government out of the currency business, and establishing a bank note system responsive to trade requirements, and thereby introducing a period of phenomenal prosperity." But congress was not so minded. The senate, on the contrary, undertook to pass the Butler Bill, taking away from the President the power to issue bonds in order to replenish the gold reserve when necessary; and from that time to the present things have gone from bad to worse,

until the American people are now confronted with an issue which seems to involve the stability of their institutions and the progress of their civilization. To quote from the *New York Journal of Commerce*: "Sometime in the future the United States in 1896 will be a deep and baffling study for philosophical historians."

The sole basis apparently for all this extraordinary agitation, is the fact already alluded to, of long continued and still persistent low prices—more particularly of agricultural products and silver. Yet it can easily be shown that in every case the low prices have been produced by the most natural causes, which may be described generally as economies in production and transport. They are not therefore an evil at all, but on the contrary a very great and substantial good. They are simply the proof of the material progress the world is making, since all material progress is synonymous with reduced cost of labor in production, and therefore with reduced price.

The clamor on that score is certainly very ill-directed, for, however disagreeable it may be to the farmer and manufacturer to have to put up with prices such as have rarely if ever been reached before, and the trader with profits that are almost invisible, we must yet remember that the great bulk of the population have nothing to sell but their own labor and skill; and for them low prices are an unmixed blessing. This is the true answer to the bimetallist, the free silverite and the protectionist, who all belong to the same class—people who desire to reap where they have not sown, and to rob by the aid of the legislature. The moral of it all is that low prices and low profits have come to stay. To attempt to raise them by juggling with the currency, with protective tariffs, or any possible human device, simply means to set back the hands of progress on the dial of time.

These considerations have a very direct bearing on our own business of banking. We are feeling as much as other middlemen the fierce competition and vanishing profits which indicate that there are too many of us, and that the body politic is trying to throw some of us out—to improve us out of existence.

The population and business of the country are both growing very slowly, so much so as to suggest the gravest

doubts whether we have been using the best means to make the most of our resources. In a large part of the country the population has been practically stationary for at least one decade; and its growth in other parts has been most meagre. There has been a general sagging of real estate values, not only in the country districts, but in the towns, while at the same time our debt and taxation have grown apace.

Our national debt alone increased between 1880 and 1890 from \$35.25 per head to \$47.51, while that of the United States fell in the same time from \$38.33 per head to \$14.24, so that ours is now more than three times as much as theirs. Their whole national, state, county, municipal and school debt amounted in 1890 to only \$32.37 per head of the population, which was one-third less than our national debt alone, leaving out all our provincial, municipal and school debts. These figures are very significant; and taken in connection with a corresponding growth in our public expenditures, and the burden of a high protective tariff, they must have caused a considerable increase in the cost of living to the people; or, what is the same thing, lessened that reduction in the cost of living which has been brought about by the inventions and discoveries of the time.

Under these conditions the growth of legitimate business cannot but be comparatively small, and that of legitimate banking must be in strict correspondence with it. Banks of themselves cannot create business. When they try to do so they only throw away their money and do the country no good.

There are undoubtedly far too many banks in the country, and the competition between them has made credit so cheap that the pushing, ambitious and impecunious trader has largely taken the place of the cautious, conservative one, who had something to lose, with the result that we have probably more failures than any other civilized country, and an increasing proportion of them. While the number of traders in Canada in proportion to the population is about the same as in the United States, the proportion of failures to the total number is very much larger in Canada. The figures are as follows:—

	1890	1891	1892	1893	1894	1895
United States	1.08%	1.21%	.97%	1.46%	1.22%	1.23%
Canada	2.20	2.44	2.22	2.32	2.36	2.37

Then, as illustrating the point I have already made that the cheapness of credit with us has forced into existence an impecunious and therefore feeble class of business men, take the following figures prepared by *Bradstreets* showing the respective percentages of failures arising from the different classified causes. Under the heading of Lack of Capital, the percentage of failures was ;—

	1890	1891	1892	1893	1894	1895
United States.....	37.9%	39.2%	32.5%	33.5%	34.6%	33.2%
Canada.....	55.8	66.6	65.1	69.4	68.5	71.3

Here again the ratio in Canada, although more than twice as large as that of the United States, is still an increasing one—the increase being steady, from 55.8 in 1890 to 71% in 1895, while the United States ratio has fallen from 38% to 33. Our difficulties are certainly not growing less, and our greatest difficulty is to cope with these increasing failures and losses, largely produced by our own excessive and unwise credits.

If the losses of our banks were published the country would be not a little surprised—perhaps shocked—at their magnitude ; and we should have little reason to plume ourselves on our record. We all feel this, yet we seem to drift along in the same old way, driven by the stream of competition, and as if confessing ourselves impotent to bring about any real reform.

When questionable business is offered us or questionable privileges demanded, the decision, instead of being determined wholly by a consideration of what is reasonable and right, is too often determined by our idea of what some competitor would be likely to do. I believe that there is a very large amount of business done by all of our banks on conditions that would have caused its rejection if the managers, in deciding about it, had felt themselves able to follow implicitly their own unbiased judgment.

While we have every reason to be satisfied with the constitution of our banking system, the superiority of which is really unquestioned, our practical banking is a different matter altogether ; and about that, probably the less said the better. The proportion of our bank failures is not calculated to make us anxious to invite comparisons with other countries.

In connection with this question of bank losses, I may refer

to a speech recently made by Jas. G. Cannon, Vice-President of the Fourth National Bank, New York, at the last annual convention of the New York State Bankers' Association. I quote from him as follows:—"A writer in one of the Boston daily papers not long since stated that the Boston banks in the period from 1st Sept., 1892, to 1st Sept., 1894, had charged to Profit and Loss \$10,175,522, and that the banks of New England had charged off during the same period the sum of \$36,966,000, the larger proportion of these amounts being for bad debts."

As a means of mitigating this deplorable state of things Mr. Cannon strongly advocates the necessity of requiring uniform statements from borrowers, and, as illustrating how such a practice might protect the banks from heavy loss, he says:—"I desire to call your attention to 35 failures, in which the bankers of New York city have been particularly interested, and which occurred during the first six months of 1896.

"As closely as can be learned, the direct liabilities of 34 of these concerns amounted to \$13,984,000, and the contingent liabilities of seven of them footed up \$1,221,000, making a grand total of direct and contingent liabilities of \$15,205,000. I have taken great pains to ascertain the causes which led to these failures, and to gather some statistics regarding them. Ten of the concerns refused to make statements. Three made general representations without going into details, and 22 gave detailed exhibits. A careful analysis of the statements of the 22 concerns that gave details, supplemented by searching investigations, disclosed the fact that 17 of them, or more than 77%, were not in a position to deserve credit. Of the 35 concerns in question, 27 either refused to make statements, or, in giving them, revealed their financial weakness. Could there be a more powerful and conclusive argument in favor of the uniform statement system?"

Of course all prudent bankers follow the practice of getting statements from their customers, if they can, when they think there is any occasion to do so, but I think it will be admitted that great laxity prevails in regard to it, and that in many cases a statement would be insisted on if the loss of the account were not feared. This is a very practical question, the settle-

ment of which rests almost entirely with ourselves ; and it seems to me that by adopting uniform action, and requiring all borrowers to furnish us with detailed statements—say from year to year—we should probably save ourselves from many a loss.

There is much more good likely to be done by working in this direction than by pottering over bankruptcy acts, which only come into play after the mischief has been all done, and which, in any case, we shall never get constructed to our liking. "An ounce of prevention is worth a pound of cure."

Another matter to which our attention should be directed is the high rate of interest paid by the government savings banks. While that rate remains at $3\frac{1}{2}\%$, the chartered banks dare not reduce their deposit rate below it. That rate consequently becomes pegged at an artificial figure, which in turn practically pegs the minimum rate to borrowers ; and so the whole trade of the country is handicapped.

This is an old grievance, which has given us a great deal of trouble in former years until it was temporarily remedied.

The general fall in the value of money throughout the world is again making this fixed rate ridiculous, as well as injurious to the country in a high degree. If there was no interference by the government with the natural flow of money in the country, interest rates would be very much lower, and at a time like this particularly, that would be a great boon to the commercial world.

Our banking resources must be found at home. The general business of the country must be run by means of home money. Government borrowings on the contrary can be far more advantageously negotiated abroad ; and it seems a most unwise policy to invite into the government coffers, and use as public revenue (which, once spent is gone forever), money which would otherwise fertilize the fields of commerce, and yet be available when wanted.

I would suggest that united action be taken by the banks to impress upon the government their views on this matter.

In concluding, perhaps I may be permitted to express the hope that an earnest effort may be made by our new government to improve our trade relations with the United States, as well as with the mother country. With the evidence of the

last census before us, it is impossible to believe that we can make the progress we should make, and which our resources would warrant, by obstructing free exchange with other countries, and trying to make ourselves self-dependent.

Instead of recognizing that all trade is barter, and that large imports mean also large exports, the administration of our custom house authorities would often seem to indicate that in the opinion of our officials the importer of foreign goods is little better than a disguised public enemy, or at the best but a questionable citizen.

The general outlook at present is, I think, better than it has been. A great revival of trade has taken place in the old country, in spite of low prices, an almost despairing agriculture, and increasing continental competition.

The threatened calamity of free silver in the United States, although it has already done enormous mischief, is not likely to be realized, as there are abundant signs that the people of that country are not so foolish and reckless as to deliberately enact dishonesty and plunge the country into temporary anarchy.

This trouble removed, a great improvement in general business would undoubtedly ensue, for crops of all kinds are abundant over the greater part of the continent, and nearly all other conditions are favorable.

Our own circumstances, while not as prosperous as we could desire, are not worse than they have been; but until a more settled condition of things is brought about in the United States, we are likely to have more or less trouble and apprehension of trouble in Canada, as we cannot fail to suffer from the disturbed state of affairs in that country. In the meantime we must be content with fair crops, and a more than promising outlook for our mining industries and our lumber trade with England.

MR. PRENDERGAST—I trust you will allow me to propose a vote of thanks to the president of the Association for his most interesting, able and instructive address. The useful advice which the president gives the community at large, and the bankers particularly, the most interesting suggestions that he makes, entitle him to the most sincere thanks of the Association. With your leave I will propose, seconded by Mr. Robertson,

that the thanks of this Association are hereby tendered to the president for his interesting address, and that the same be printed at length in the *JOURNAL* of the Association.

MR. ROBERTSON—Mr. President, I had not the pleasure of listening to the first few words of your address, but I heard the most of it, and I am sure I can only re-echo the sentiments of Mr. Prendergast, that we listened to it with the greatest of interest. There is only one part of the address that I take a little issue with, and that is a small one. We all remember that in an election in the United States not many years ago, when Cleveland and Blain were running, the election was lost to the latter by the use of the one phrase "Rum, Romanism and Rebellion," in an address delivered by the Rev. Mr. Burchard. There was one phrase of our esteemed president's that I would take a little issue with, not that I do not agree with it, but I question whether it is an expedient phrase to use. He has, in his speech, allied the triumvirate of "bimetallists, free silverites and protectionists." We are none of us bimetallists. I am sure none of us are populists. But whether protectionism is held to be wrong by Canadians generally or by all Canadian bankers, is a matter for discussion. That was one expression that struck me. Mr. Fyshe's words will be read with deep interest by all bankers in this country, by politicians who have any interest in banking and commercial subjects, and by all financial men. I do not say that I do not believe in free trade; I have no politics as such just now, but there are those who do not wish protectionism allied with populism and bimetallism. I do not think it is a happy trinity of phrase. Those who are protectionists do not want to be allied with populists, to be put on the same footing with them, or to have it said that the president of the Bankers' Association puts them all upon the same level. None of us are populists, some of us may be protectionists. With that one remark I have the greatest pleasure in seconding the motion.

MR. FARWELL—Before the motion is put I desire to heartily thank the president for the able address which he has given us, and for the great pains which he has taken in preparing it. Like Mr. Robertson, however, I left my politics at home, I do not remember just where, but I brought my Canadian feeling; I brought the feeling that we are all Canadians and that anything that goes out from us must go in the strongest terms to the world that we are Canadians and believe in our own country. I take the same exception that Mr. Robertson takes to a certain combination of words.

A lengthy discussion then ensued respecting the portions of the President's address dealing with the statistics of failures

in Canada and the United States and referring to the losses sustained by the banks, in which Messrs. Farwell, Walker, Burn, Crombie and Turnbull took part.

It was urged by these gentlemen in substance that while the statistics quoted by Mr. Fyshe were doubtless quite accurate, the inference he had drawn therefrom respecting the relative extent of the losses suffered by American and Canadian banks, was erroneous. Consideration had not been given to the fact that the statistics of failures in Canada included an enormous number of small storekeepers whose commencement in business with trifling capital was rendered possible only by the extravagant terms of credit which it is the practice of mercantile houses to accord. Tradesmen of this class never receive accommodation from banks, and the losses arising from their failure fall upon the wholesale merchants whose custom it usually is to make a special provision for such losses in the selling price of their goods, the system resulting in a tax upon the consumer. In the United States, by reason of their short term credits, this element must necessarily enter into the statistics of failures to a much less degree.

The speakers also contended that there was no necessary relation between mercantile losses and bank losses, and the opinion was expressed that the proportion borne by bank losses to the volume of business transacted was considerably less in Canada than in the United States—that indeed it was scarcely conceivable that it could be otherwise, having regard to the different principles upon which banking is conducted in the two countries.

In putting the motion of thanks to the president for his address, Mr. Walker remarked that he thought the discussion that had taken place was the most profitable kind that the Association could have. He personally felt that the Association owed Mr. Fyshe more thanks that his address had not been of the quiet character of those in previous years, which did not evoke discussion.

The motion was declared carried.

MINOR PROFITS

The report of the committee on minor profits appointed by the Executive Council was submitted, and in accordance

with a recommendation contained therein, it was ordered that the report should be printed and copies supplied to the different banks for distribution among their branches, with a view to eliciting expressions of opinion, and suggestions from the managers.

THE MONETARY QUESTION

Mr. A. A. Taillon, Manager of La Banque Nationale, Ottawa, read a paper on "The Monetary Question and Kindred Topics."

In moving a vote of thanks to Mr. Taillon the president complimented that gentleman on the excellence of his paper. It was recommended that the paper be published in the JOURNAL.

AMERICAN CURRENCY AND SILVER

The President read a communication on the above subject from the secretary of the Montreal Board of Trade, addressed to the chairman of the bankers' section of the Board of Trade.

A discussion followed respecting the advisability or otherwise of the banks exacting a discount upon American currency, but as it was manifest that there was a wide divergence of opinion in the matter among the bankers present, no general action was recommended.

ESSAY COMPETITION

The Secretary-Treasurer announced the result of the Prize Essay Competition, as follows:

Senior Competition: "The Future of Banking."

First prize.—"Sheet Anchor," H. M. P. Eckardt, Merchants Bank of Canada, Winnipeg.

Second prize.—"Satis Verborum," George Wilson, Imperial Bank of Canada, Toronto.

Junior Competition: "The Best Method of Book-keeping for a Country Bank Agency, etc."

First prize.—"Athae," Francis M. Black, Bank of British Columbia, Vancouver.

Second prize.—"Jacta est Alea," C. M. Wrenshall, Merchants' Bank of Canada, Kingston.

The president remarked that the conclusion of the examining committee was that the junior essays were, if anything, a

little better than the senior, and that in their opinion the paper winning first prize in the junior competition was an exceedingly clever performance.

The meeting adjourned until 10 o'clock the following morning.

SESSION 10TH SEPTEMBER, 1896

The Association met at 10 a.m.

SURETIES AND SECURITIES

MR. Lash read a paper on "Sureties and Securities."

MR. HAGUE moved that the thanks of the Association be tendered to Mr. Lash for his valuable paper, and that Mr. Lash be requested to permit it to be published in the JOURNAL.

He said:—

I have just one or two things to say in connection with this subject. The first is that the gist of this paper is contained in the last three words: "Consult your solicitor." When we do not consult our solicitors we often get into trouble, and I will say this further,—as a good many of these matters have to be dealt with by branch managers, whose duty it is to consult their own solicitors on the spot,—that in all matters of importance it is desirable to go beyond the opinion and advice—no matter how eminent the gentleman may be in his own sphere—of their local advisers, and consult the officers of law who are at the service of those who conduct the head offices of the banks. It is customary with most banks to have forms of guaranty, which forms have been most carefully considered by the most eminent counsel, both in Lower and Upper Canada. As you know, there are various matters connected with this in which the law may not perhaps be different in the letter, but very often be interpreted differently by judges in different parts of the country, and it is always desirable, therefore, that contracts of guaranty should be submitted to headquarters, in order to see that they are such as the general managers approve of and consent to, and if necessary these general managers consult eminent counsel and can better guide the officers of branches as to what they ought to do. There are innumerable differences of fact in these matters, and sometimes, when a suit is brought, the facts are not very well brought out in court. You know very well how witnesses to important matters of fact are sometimes badgered by counsel, so that they state the facts, not as

they really are, but as they happen to recollect them at the moment. I remember very well a case in which one of our managers, a most scrupulous and conscientious man, was called on to give evidence on certain matters of fact, which had taken place several years before, and in his desire to be accurate and to say nothing but the whole truth and the exact truth, he so stammered and bungled in his efforts to refresh his memory, that the judge at last said to him: "Sir, you are a shuffler." Yet his only desire was to be accurate, but instead of saying, as he ought to have, that he could not recollect things that took place so long before, he tried to recollect and gave the impression that he was a shuffler. We know how in a court such things will sometimes occur, and the facts do not get properly before the jury and the judge, and then the remedy is a new trial and all the rest of it. Lord Ellenborough, an eminent lord chancellor, as we all know, said that the surety received no consideration, and therefore no deviation from his contract should be allowed. They do not generally receive consideration, but sometimes they do and substantial consideration, and in such case the very rigid interpretation laid down by that lord chancellor hardly applies. It is undoubtedly the case that when we bankers have not only a guaranty, but other securities as well, we cannot be too careful in defining for what it is the surety becomes responsible, and more particularly what we ourselves undertake to do. One of the judges, you will observe, said in his judgment that there might be careless or improper handling of security. This opens up a world of contention and difficulty. There may be any amount of contention as to what is careless and improper handling, and what the bank ought to have done with the securities and why they did not do it. Questions of this kind may arise on almost every occasion where there are securities in addition to the guaranty.

We are all very much obliged to Mr. Lash for this paper, to almost every line of which I agree, as the result of experience, and some of us have had a pretty long experience in many ways. Almost every word brought up things which have come under my observation in the last thirty years, and the rules he has laid down are most valuable, but the last is the most important of all: Consult your solicitor.

THE PRESIDENT—I have much pleasure in putting the motion of Mr. Hague. I have always listened with the greatest interest to the reading of Mr. Lash's papers, they are so clear, practical and interesting, and not such opinions as we usually get from lawyers. He seems to enter with the greatest sympathy into the position of the banker and to realize

it in a way that lawyers do not usually do. It would be impossible, after reading the paper, to misunderstand our position in the cases of which he has treated.

Motion agreed to.

MR. LASH—It always affords me great pleasure to attend this meeting and to prepare and read a paper on some subject of interest to it. The greatest difficulty I find in getting up these papers is not so much the difficulty of the subject itself, or the time occupied in preparing it, but the inability to find a few hours of spare time at the proper moment. One is inclined to put off these matters, and this I was unfortunately compelled to put off—not the consideration but the writing of it—until yesterday, or I would have been present at the meeting yesterday. It will afford me much pleasure to have it published in the JOURNAL.

THE PRESIDENT—Perhaps the members of the Association would like to ask some questions in connection with this paper.

MR. WILKIE—I wish to ask Mr. Lash whether in his opinion, even if the guarantor had security from the primary debtor, he would still be released by any variation from the original contract as between himself and the primary debtor?

MR. LASH—I do not think the fact that the guarantor had security from the primary debtor would in any way affect the principles relating to his rights as between himself and the creditor. On that particular point I may mention that, up to a few years ago, it was generally assumed by the text writers, and certainly generally assumed by the profession in Ontario, and as far as I am aware, generally assumed by the profession in England, that if the guarantor received from the debtor security for his liability as guarantor, that security inured to the benefit of the creditor, on the converse principle that the securities given by the debtor to the creditor inured to the benefit of the surety. But in a late case in England, it was decided that the converse rule does not apply, and that the creditor has no right under the general law—unless there is something in the shape of an agreement or contract, to give him that right—to the benefit of the securities given by the debtor to the guarantor.*

*The case to which Mr. Lash referred is that of *re Walker*—Sheffield Banking Co. v. Clayton, reported on p. 294 of volume I of the JOURNAL. The head note of the case is as follows:

"The proposition that the principal creditor is entitled to the benefit of all counter bonds or collateral security given by the principal debtor to the surety, cannot be supported." *Mawer v. Harrison* cited as the authority for the proposition, is not a decision to that effect."

THE PRESIDENT—They go back to the debtor's estate.

MR. LASH—Of course they do, if the liability for which the securities are given is discharged. But in the particular case to which I refer, the circumstances were these: The debtor had borrowed a sum of money from a bank, and a friend of the debtor's had guaranteed the payment of that money. The debtor had given his friend certain securities as security against the liability which the friend had incurred. Bankruptcy intervened, and the bank proved its claim against the estate of the bankrupt. The guarantor died and his estate was bankrupt; the bank proved its claim against the estate and claimed a special privilege and right to the proceeds of these securities, which had been given by the bank's debtor, and which had been collected by his executor. The bank claimed these securities on the theory that having been given to the guarantor by the debtor to the bank, they inured to the benefit of the bank. The court held, however, that proceeds of the securities were to be distributed, as a part of the guarantor's estate, among his creditors generally, the bank merely ranking for their claim against the guarantor, and merely having an ordinary right to the dividend.

THE PRESIDENT—That is rather startling.

MR. LASH—Yes, because it is so contrary to all our views and the text book writers.

MR. COULSON—Has that judgment gone to appeal?

MR. LASH—No, but it was given by a very eminent judge, and was very well considered. He traced out the decisions, and showed quite clearly that those decisions which had been relied upon for the opposite view, did not bear it out. Unless you can prove that the securities were given by the debtor to the guarantor, upon a trust that they should inure to the benefit of the creditor, if the debtor should fail, the creditor has no privilege on them.

MR. COULSON—If that was the only liability existing

The concluding part of the judgment is as follows:

"Under these circumstances, it seems to me that there is no real authority for the proposition in question; and, upon principle, I cannot see why a surety who takes from the principal debtor a bond or indemnity at once becomes a trustee of that for the principal creditor. That is really the contention of the plaintiffs. Of course the other doctrine is well established, viz., that the surety who pays the debt is entitled to stand in the place of the principal creditor; but the doctrine contended for by the plaintiffs rests entirely on those dicta which I have mentioned.

"It seems to me, under these circumstances, that I cannot give effect to the contention of the plaintiffs, and that they must simply be left to prove against the estate of the testator for what is due to them, without having the exclusive benefit of these securities in respect of which payments have been made to the estate."

between the two, and the security was given to secure it, how could it be possible in any equitable decision, that the creditor should not obtain the security ?

MR. LASH—The security was not given to secure the debt, but it was given to the guarantor as an indemnity against his liability, and the Court held, in the absence of some agreement or trust which was connected with the giving of that security, that the law did not entitle the creditor to the benefit of it.

MR. HAGUE—Were the facts clearly brought out ?

MR. LASH—Yes. Since that decision came out I have taken occasion, in all such matters coming to my knowledge, to recommend banks at once to take from the surety an assignment of his securities, and of course in most cases that can be got. That, of course, would entitle the bank to the securities.

MR. COULSON—If it is made applicable to certain notes, and you get hold of the notes, are you not entitled to the security ?

MR. LASH—If the security be given to secure payment of the notes themselves, the case would be different ; but in the case referred to the security was given to the guarantor, not to secure payment of the debt, but to indemnify him against his liability as guarantor.

MR. FARWELL—Will the case go to appeal ?

MR. LASH—I do not know that this case will go to appeal, because it was decided several years ago, and if it had gone to appeal, we would have seen it. It arose out of administration proceedings by a bank attempting to get a special right to the securities which the deceased bankrupt had received from the bank's debtor, and which had passed into the hands of the executor.

MR. FARWELL—You do not know whether any settlement was arrived at ?

MR. LASH—I do not know whether there was any settlement between the parties, but there was no appeal.

MR. HAGUE—Are we to understand that in the case the bank established that these securities were handed to this guarantor for the purpose of securing him against payment of the debt of a debtor to the bank, and that the Court held that the bank had no right to these securities ?

MR. LASH—That was established beyond question, and that was the point in the case.

MR. HAGUE—That the guarantor got these securities for the express purpose of securing himself against any default by the debtor to the bank ?

MR. LASH—Yes, that was the only reason he got them.

MR. WILKIE—If the securities did not belong to the bankrupt estate of the guarantor it would be quite possible for the bank to do things, in an indirect way, that banks are forbidden to do, by their charter, in a direct way. How, for instance, could a bank take real estate from the guarantor, when we could not take it from the primary debtor? How could we make a loan of \$20,000 indirectly on the security of one of these buildings, when we cannot do it directly? If a bank is satisfied with a guarantor, because he has got from the debtor real estate as security, and then, on the failure of the debtor and guarantor, could claim that real estate, the bank would be doing what its charter does not allow it to do.

MR. LASH—Of course the bank cannot exceed its charter, but that decision applies to other securities as well.

MR. WILKIE—Your advice, "consult a solicitor," is very good, but is it not always better to consult the solicitor beforehand and have a form of guaranty that would meet every contingency? Could not that be done?

MR. LASH—Yes, I think that this subject can be placed, in every part, under contract. There are no rights of the guarantor which he cannot waive, and no agreement respecting a guaranty which cannot be made; but when you come down to practical operations, there are dozens of cases where you dare not ask a guarantor to enter into all these agreements to provide against what might happen in the case of ultimate failure of the debtor and bankruptcy of the guarantor.

MR. FARWELL—In the case suggested by Mr. Wilkie, I understand it would be impossible to reach the property unless there was an arrangement between the bank and the guarantor.

MR. WILKIE—When speaking I had in mind the case of a discharged guarantor. By some oversight, the guarantor himself was discharged, and you sought to follow his security. The security is one you cannot take under your charter, and therefore you cannot take it by any agreement with the guarantor.

MR. AUSTIN—What becomes of the claim of the debtor to the securities?

MR. LASH—The security he gave to the guarantor would work around in this way. If the guarantor paid the claim, or if his estate paid it, the guarantor or his estate would have a claim against the debtor for an amount equal to that which was paid. If the guarantor realized on the securities, and with the proceeds paid the claim, it is in effect the debtor who has paid it, and the guarantor has no claim against him. The debtor ultimately gets the benefit of the security, the real contest being

whether that benefit goes to the bank directly or to the general estate of the guarantor, subject to distribution among all the creditors.

MR. HAGUE—Would that be a binding precedent for our courts?

MR. LASH—Yes, for courts of equal jurisdiction.

MR. HAGUE—Look at the iniquity of it. If the debtor pays the debt, there is an end to the question. But the debtor must have been bankrupt too, or otherwise the case would never have arisen. The debtor would have rendered himself probably unable to pay the debt by handing over these assets of his to the guarantor.

MR. LASH—There is a great deal to be said in favor of your view, and it was a startling decision, but as long as it is there unreversed, our trial Courts are undoubtedly bound by it.

MR. HAGUE—The debtor hands over a lot of his property to the guarantor and thereby renders himself unable to pay his debts. Then the guarantor fails, and his creditors, who have nothing on earth to do with this property of the debtor, claim it. Would all our Courts be bound by that decision?

MR. LASH—Our Courts are divided in somewhat the same way as the Courts in England. First, there is the trial by a single judge, and he would generally be bound by the decision of a single judge in England. Of course I speak as to Ontario only.

MR. CROMBIE—Suppose the guarantor is willing to give up his security and does so. Under the Quebec Law, a bankrupt is supposed to have some suspicion that he is insolvent, and if he gives up his security to the bank, can the assignee of the guarantor demand it back?

MR. LASH—That is something which is entirely outside the law applying to sureties. That comes down to the question of preference under the laws relating to the preferring of creditors. Whether or not an assignee could recover property which the bankrupt had in that way diverted, would depend on all the circumstances surrounding the transaction—the knowledge of the creditor, the intent, etc. There would be no difference between deciding that and any other question of preference. The mere fact that it was a security given over by a guarantor would not be decisive one way or the other.

MR. CROMBIE—When it was given specially to secure the liability for the debt?

MR. LASH—That would be a matter for consideration, in deciding the question of intent, as to whether it was an intent to prefer, or whether it was not dictated by the feeling of right

and justice which should control a man in that position. It is the law of preference which would govern and not the law of principal and surety.

MR. PRENDERGAST—To all intents and purposes, these securities form part of the guarantor's estate?

MR. LASH—Yes, that is the result of the decision.

THE PRESIDENT—This should be further discussed and brought up either in the *JOURNAL* or some other way. It does not seem just that security given in connection with certain obligations represented by notes, which has always been held hitherto to follow the notes, should be diverted to other purposes. If it turns out now that, in the event of the insolvency of the guarantor, the securities go into his estate, that will effect a real injustice to the debtor and his creditor. Supposing a private bank rediscounts its notes and hands over securities to the bank with which it rediscounts, it has always been held that whatever securities attach to these particular notes follow them, and the bank gets the benefit of them. If this decision upsets that, I do not see how you would get rid of the gross injustice which would be done to the original debtor's estate if the securities he has given to the guarantor who has failed are divided among the creditors of the guarantor. Moreover, it is a direct contravention of the well understood principle that all those things are to be decided according to the intention of the parties. Here you say the original intention of the parties was clearly brought out in the evidence, and yet that intention was set aside.

MR. LASH—The principle of the decision, of course, I am not criticizing. The ground of the decision was that the security was given to the guarantor, not to secure the payment of the particular debt. If it were given in the last named way, as is usually done when money is borrowed from a private banker, it is probable that a trust might have been attached to it, which would devote the proceeds of the securities to the payment of the debt, and which would make the securities follow the debt into whatever hands it got. The security in the case we have been discussing was given to the guarantor, not to secure the payment of the debt directly, but by way of indemnity to him against the liability which he incurred. Therefore, so far as the parties could make it by their contract, it was a contract between the guarantor and the debtor only, to which the holder of the obligation guaranteed was not a party, and in which he took no interest!

THE PRESIDENT—It was a payment or consideration to the guarantor.

MR. LASH—No, because if the debtor had paid, he would have been entitled to the whole securities back.

THE PRESIDENT—That shows the clear connection. If the debtor was entitled to get back the securities, his creditor would be entitled to those securities.

MR. LASH—That is what can be argued as opposed to the correctness of the decision. I am only pointing out that there is no way out of the position the Court has taken in the case.

MR. WALKER—Take the case of a private banker who rediscounts a note with us. He has taken security for that note. The security is for that specific debt. Is that security connected with the note in such a way that it would not come under the decision you mention?

MR. LASH—I think so. I had occasion to consider that on a question submitted by the Editing Committee. The conclusion I came to on principle was this. If a man borrows money from a private banker and gives security to the banker for the payment of the note, then if that banker transfers the obligation, the law transfers with it the security.

MR. WILKIE—Even if it is a mortgage on real estate.

MR. LASH—Yes, but the case is quite different from that in which the money is not borrowed from the private banker, but directly from the bank, and the private banker is merely asked to endorse the note.

MR. HAGUE—In such a case, it ought to be distinctly recorded between the parties in writing that the securities are handed over for the purpose of meeting that debt.

MR. LASH—That would make it all right, because that would supply, by contract, the link which the law says does not exist in law between the bank and the guarantor.

MR. HAGUE—There must have been a deficiency in the practical handling of the case to leave such a question open, and there must have been some question of fact which was not properly brought out in the trial. Let me say this while I am on my feet. It is customary with all the banks to have a form of guaranty. That form is generally drawn up by eminent counsel, the counsel of the banks in the larger cities, and for my part I must say that I am exceedingly jealous of that form being changed or added to in any particular. You ought never to change a form of guaranty that has been thoroughly considered, all the points carefully guarded, and all these particulars which Mr. Lash brought up this morning. Let me say to younger managers in the country districts, that at a distance from the head office it is never safe to have a single line introduced into a guaranty without the consent of the head

office. Never consent to have your solicitor draw up a special form without submitting it to headquarters, where it will be considered and submitted to the more eminent counsel such as we have in the larger cities. We must always bear in mind that although the law may be the same in all parts of the Dominion, with regard to guaranty and banking generally, it is singular how different an interpretation will be put on the law by judges in the province of Quebec compared with those in other parts of the country. In the case of any debt that is contracted, you have to consider where it is contracted and under the jurisdiction of what court, and what judges will have to interpret it, and you must be extremely careful not to take any guarantees outside the forms provided.

MR. WILKIE—We asked Mr. Lash whether by a clause in the deed of guaranty or by some other document, the guarantor could agree to make over to the creditor the security which he had taken. And I understood him to say that that could be done. Suppose the security given to the guarantor by the debtor consists of real estate, and the advance to a debtor is made by a bank, and the whole thing is done simultaneously, the bank would indirectly become possessed of real estate, and be loaning on real estate which would not be regular.

MR. LASH—I was merely dealing outside of the statutory enactments restraining our banks in Canada from taking real estate.

MR. WILKIE—But we all know that in nearly every instance, the security given the guarantor is real estate, because we can take the other security ourselves, so that it does not do to depend upon the provision suggested that the guarantor should agree to make over these securities, because he could not do it when the security was such that the bank could not take it.

MR. LASH—You must of course keep in view the power of the bank or creditor if it be controlled by statute: and since our Bank Act says that banks shall not lend money upon the security of real estate, they cannot, in this indirect way, get the benefit of that security. If that clause were not in the Bank Act, or if the creditor were a private banker or a bank without any limitation, such securities could be assigned to it by agreement.

MR. FARWELL—I would like to ask a question about the form of security under section 74 of the Bank Act. I have seen forms prepared by eminent solicitors in Montreal, in which it is stated that the security given in this agreement may also be held by the bank for any other indebtedness which may be due.

I thought it was a very good form and got it printed, but our solicitor questioned very much whether it might not be held to invalidate the document.

MR. LASH.—I have had occasion to consider that question, and have advised, without hesitation, as a matter of prudence, and also because I entertain a somewhat strong view on the legal question, that any alteration or addition to Form C in section 74, if it alters the effect of that form, as given in the Act, would invalidate it. I have seen forms loaded with all sorts of conditions.

THE PRESIDENT.—The same thing would apply to warehouse receipts.

MR. LASH.—No, for this reason. In section 74 of the Bank Act, the statute provides that the bank may lend money to any wholesale dealer, etc., on the security of certain goods, etc., and then says that such security may be taken in the form of Schedule C or to the like effect. If they do not take it in the exact form of Schedule C, they can take it to the like effect; and if they put in it something which makes it quite different from Schedule C, they are not making a form to the like effect. But the same section does not apply to the taking of the security of warehouse receipts. There is no form given, and so long as it is an acknowledgment by the man who is in actual possession of the goods, it answers the purposes of the Act. No form being given, it would not invalidate the receipt to have special conditions attached, provided the substance is there, namely, that it is an acknowledgment by a bailee.

MR. FARWELL.—Our solicitor held that this section, 74, gave exceptional powers, and consequently we could not go beyond it.

MR. LASH.—I think he was right.

This question has just been handed to me: "Would the debtor have a claim on the securities he handed over to the guarantor, if the guarantor became bankrupt, or only a pro rata claim?" I suppose the question is, would the debtor, if he paid the debt, have a claim to the full benefit of the securities. There can be no question that he would have a claim to the full benefit of the securities because they are his securities, and he could claim to get them back.

MR. WEIR.—In that way the bank could reach the securities?

MR. LASH.—Not if the parties failed. The case only arises in practice when they are both insolvent.

The debate having closed, Mr. Chipman, the secretary, read the report of the Editing Committee, as follows:

REPORT OF EDITING COMMITTEE

To the Members and Associates:—

The Editing Committee beg to report concerning the work of the past year as follows:

In their report of a year ago they estimated the cost of publishing the JOURNAL during the ensuing year at \$1,550. The actual cost has been \$1,408.82, from which is to be deducted the direct revenue from advertisements and outside subscriptions, \$394.22, making a net expenditure of \$1,014.60. As against this last amount may be properly considered the sum of \$941, fees received from Associates for whose benefit the JOURNAL was largely instituted. The result is more satisfactory than the Committee had felt warranted in predicting in their last report.

The committee find it impossible at the moment to submit an estimate of the probable revenue from and expenditure upon the JOURNAL in the coming year. A considerable increase in the revenue from advertisements and subscriptions is assured, and a further growth in the Associate membership seems probable, so that there is no reason to anticipate a less favorable showing than that for the past year. The present committee, however, venture to recommend that should it be found necessary to enlarge the dimensions of the JOURNAL, a net expenditure by their successors should be authorized of say \$300 in excess of the amount received by the Association from Associates' fees.

The committee are pleased to be able to report that in many respects there are evidences of a growing interest in the JOURNAL on the part of bank officers.

The JOURNAL was fortunate in respect to the character of the contributions received during the year, and the committee are glad to be able to state that a number of valuable contributions for the next volume have already been arranged for.

All of which is respectfully submitted.

J. H. PLUMMER	} Editing Committee
J. HENDERSON	
E. HAY	

MR. FARWELL moved, seconded by MR. F. G. JEMMETT

That the report of the Committee be adopted and that the thanks of the Association are due and are hereby tendered to the Editing Committee and to the Corresponding Committee for their valuable services in connection with the JOURNAL, and to all those who have in any way contributed to the success of the JOURNAL.

MR. WILKIE took occasion to comment specially on the value to the Associates of the JOURNAL's legal column. It was also very satisfactory to bank officials to know that they could always obtain through the JOURNAL carefully considered and trustworthy answers to questions on banking law.

MR. WALKER expressed satisfaction with the financial statement of the JOURNAL. If the accounts of the JOURNAL were credited with the amount received from the fees of the Associates, as might fairly be done, it was apparent that the cost of

the publication to the Association in the past year had been less than \$100. The promptness with which the renewal fees of Associates were paid was substantial evidence of their appreciation of the value of the JOURNAL.

The motion carried.

SUB-SECTIONS

The report of the Ottawa sub-section was presented. The only business transacted during the year, apart from the preparations for the annual meeting, had been in connection with the Mulock bill respecting the legal rate of interest. The sub-section had invoked the assistance of the Ottawa Board of Trade by urging their consideration of the various reasons against the passage of the bill.

INTEREST ON GOVERNMENT SAVINGS BANK DEPOSITS

MR. WILKIE introduced the subject of the rate of interest on Government savings bank deposits, and the postage rate. After some discussion, it was moved by MR. WILKIE, seconded by MR. WALKER,

That the Executive Council should be requested to confer with the government at the earliest possible moment, and urge the desirability of a reduction being made in the rate of interest paid on deposits in the government savings banks from $3\frac{1}{2}$ to 3 per cent.

ELECTION OF OFFICERS

MR. MARLER moved, seconded by MR. SAUNDERS, that the Editing Committee and the Corresponding Committee of the JOURNAL be re-elected for the ensuing year. Carried.

It was then moved by MR. PRENDERGAST, seconded by MR. BRODRICK, that the Auditors, Messrs. E. Stanger and A. D. Durnford, be re-elected for the ensuing year. Carried.

MR. WALKER—Before a ballot is cast by the members for the new Executive, I may say that we have experienced the same difficulty as in past years, arising from the fact that there are a certain number of representative institutions which should be on the Executive Council each year; and the Council, although it consists of nine members, has no room for the changes we would like to see made. I desire to give notice

that at the next annual meeting of the Association, a motion will be brought before you to increase the Executive Council from nine to twelve.

THE PRESIDENT—What is the object?

MR. WALKER—The object is this: As the gentlemen at present composing the Executive Council, together with the Vice-Presidents, represent geographical sections of the country, and are the chief officers of institutions of importance, so that they cannot very well be dropped from the Executive Council, it is impossible to elect the chief officers of other banks who have never yet been represented on the Council. If you increase the number you will have a margin of two or three names from which to make changes.

MR. WALKER—I think it would be the desire of everybody to vote for the re-election of Mr. Fyshe as President, but he seems to be very obstinate. I do not know whether he can be prevailed on to do as others have done, serve for two years.

MR. FYSHE—I should be very happy to serve, but it is really out of my power to do so.

On motion the President was desired to cast one ballot for the election of officers for the ensuing year.

The ballot being cast the scrutineers reported the following officers elected:

AS HONORARY PRESIDENTS

Hon. Sir Donald A. Smith, G.C.M.G., President, Bank of Montreal

Geo. Hague, General Manager, Merchants' Bank of Canada

AS PRESIDENT

F. Wolferstan Thomas, General Manager, Molsons Bank

AS VICE-PRESIDENTS

Thomas Fyshe, Cashier, Bank of Nova Scotia

D. R. Wilkie, Cashier, Imperial Bank of Canada

Thos. McDougall, General Manager, Quebec Bank

G. A. Schofield, Manager, Bank of New Brunswick

AS EXECUTIVE COUNCILLORS

E. S. Clouston, General Manager, Bank of Montreal

D. Coulson, General Manager, Bank of Toronto

Geo. Burn, General Manager, Bank of Ottawa

M. J. A. Prendergast, General Manager, Banque d'Hochelaga

H. Stikeman, General Manager, Bank of British North America

B. E. Walker, General Manager, Canadian Bank of Commerce

D. H. Duncan, Cashier, Merchants' Bank of Halifax

W. Farwell, General Manager, Eastern Townships' Bank

J. Turnbull, Cashier, Bank of Hamilton.

After some discussion as to where the next annual meeting should be held, it was moved by Mr. Van Felson, seconded by Mr. Crombie, and carried unanimously :

That the Executive Council be desired to hold the next annual meeting at Niagara Falls, Ontario, during the first week of September next.

It was moved by Mr. Crombie, seconded by Mr. Prendergast :

That the thanks of this meeting be hereby tendered the Ottawa bankers and citizens, the presidents and committees of the Rideau Club, the Ottawa Rowing Club, the Ottawa Canoe Club, the Amateur Athletic Association, the Hull Electric Railway Company, the Ottawa Electric Company, the Gatineau Valley Railway Company, and Mr. W. C. Edwards, Rockland, for their united kind hospitality during our visit. Also to the Hon. the Speaker of the House of Commons for having placed the Tower Room at our disposal, and to the Sergeant-at-Arms, Colonel H. R. Smith, and to Mr. MacLeod of the Civil Service, for their kind offices.

The Hon. Senator Lewin, president of the Bank of New Brunswick and one of the first honorary presidents of the Association, was then called to the chair in order that a vote of thanks might be passed to the president.

MR. WALKER—Before the convention closes I have a resolution to propose. We owe to our president for the labors he has performed in connection with the Association during the past year, our most hearty thanks. As a past president, I know what it means to hold that office. It is by no means an ornamental one or a sinecure, but involves a great deal of arduous work throughout the year. To our appreciation of his able address to us yesterday and the discussion which took place upon it, and his ability in presiding over the meeting, and the affection we all bear to him as a brother banker, I am attempting to give some feeble expression. I beg to move that our heartiest thanks are due and are hereby tendered to the retiring president.

MR. HAGUE—Will you allow me, sir, to second that motion? I must say that we all of us feel gratefully indebted to our president for the good work he has done on behalf of the Association, and regret that we could not induce him to continue in the office another year.

MR. FYSHE—I think, gentlemen, you are giving me rather more than my due. I accepted the position with the greatest reluctance and would very much rather it had been occupied by some other member of the Association, but believing it was the duty of every member to do his best in the interests of the Association, and not wishing to become conspicuous by shirking any of the duties, I accepted the position. I have been painfully conscious during the whole year of my unfitness for it, and, besides, I live too far away from the centre of business to be able to attend to its duties satisfactorily. However, I have done the best I could, and am pleased to think that what I have done has met with your approval.

The fifth annual meeting was then declared closed.

THE BANQUET

The banquet to the delegates to the Canadian Bankers' Association at the Russell House was most successful indeed in every respect. For the style of the banquet, the representative character of the guests and the quality of the speeches, it has seldom been equalled in Ottawa. The splendid dining hall of the Russell was tastefully decorated. Those attending numbered about 175, the chair being occupied by Mr. Thomas Fyshe, President of the Association. To his right sat Hon. Wilfrid Laurier, Prime Minister, and on his left Sir Richard Cartwright. Among the other guests were the following: Sir Henri Joly; Sir Henry Strong, Chief Justice of Canada; Hon. C. A. Geoffrion; Hon. John G. Haggart; Mr. Justice Girouard; Mr. Justice Burbidge; Mr. Sheriff Sweetland; Mr. J. B. Riley, United States Consul-General; Lieut.-Col. the Hon. Matthew Aylmer, Adjutant-General of Canada; Mr. Weir, President of the Ville Marie Bank; Mr. Hague, General Manager Merchants Bank; Mr. D. R. Wilkie, General Manager Imperial Bank; Mr. B. E. Walker, General Manager

Canadian Bank of Commerce ; Mr. George Burn, General Manager, Bank of Ottawa ; Mr. Prendergast, General Manager, Hochelaga Bank ; Mr. Farwell, General Manager, Eastern Townships Bank ; Mr. J. M. Courtney, Deputy Minister of Finance ; Rev. W. T. Herridge ; Rev. Dr. Saunders ; Hon. Col. Prior, M.P. ; and a number of other members of parliament and leading commercial and financial men of Ottawa. The small gallery was graced by Mme. Laurier and a party of lady friends.

In response to the toast of "Her Majesty's Ministers," Mr. Laurier made a speech. He was received with great enthusiasm. His remarks were of that character which befit an after-dinner deliverance. The banking system of Canada he described as a credit to the nation, and it was a model the new government of Canada was going to copy. Sir Henri Joly also replied.

The toast, "The Parliament of Canada," was replied to by the Hon. C. A. Geoffrion and Hon. J. G. Haggart.

Sir Richard Cartwright responded to the toast of "The Banking and Commercial Interests of Canada," in a practical speech, which was listened to closely. He read a tribute by Mr. David A. Wells to the banking system of Canada, which Sir Richard described as the true sheet anchor of Canada. Messrs. Hague, Walker and Wilkie also spoke.

NOTES AND COMMENT

THE President's address was the subject of an animated discussion at the recent meeting of the Association. Many of those present were not prepared to accept the accuracy of the statistics or the inferences drawn from them, and it was also clear that there was a difference of opinion on the questions of political economy that were dwelt upon in the address. The address is published as part of the proceedings of the meeting, but in view of the numerous communications that have been received by the Editing Committee, they think it right to point out that the addresses annually delivered from the president's chair are understood to express the individual opinions of the speaker only. The only official utterances of the Association are those which are embodied in resolutions passed by it, or—within the limits of its powers—by the Executive Council.

Mr. Lash's paper on "Sureties and Securities" which was read at the meeting has been unavoidably held over until the next number. The discussion which followed its reading, bearing on the case of *Sheffield Banking Co. v. Clayton* was interesting; we would again call our readers' attention to the case, as reported in the JOURNAL (vol. I, p. 294), and to the comments thereon at p. 230 of the same volume.

Pressure on our space has also made it necessary to hold over one of the prize essays.

WE publish in this issue the first of a series of articles relating to the early history of banking in Canada, which Prof. Adam Shortt, M.A., has signified his intention of contributing to the JOURNAL this year. The present contribution will be read by bankers with a great deal of interest. The documents quoted

appear to clearly establish the contention that the Canadian banking system owes its origin to the United States. The material was obtained only after the most painstaking research among public and private records, and the article is a valuable contribution to the literature of banking.

Its perusal prompts interesting reflections.

When the first Bank of the United States had flourished and become a strong institution it was crushed out of existence by legislation, because of the fear of its acquiring a monopoly. Two or three subsequent attempts to found a Bank of the United States fared similarly, and the banking laws were thereafter framed with the clearly avowed intention of limiting the power of any one institution and confining the scope of its operations within narrow bounds. The disastrous consequences of this legislation are seen in the existing banking and currency conditions of that country.

In Canada, on the other hand, commencing with a bank organized under a charter copied in its entirety from that of first Bank of the United States, there has grown a system of banking institutions which have at least provided a thoroughly scientific currency, and, in addition, have never—even during the periods of financial stress which have prevailed throughout the entire extent of the neighboring republic—been found deficient in resources out of which to readily meet all legitimate demands for banking accommodation from every part of the Dominion.

It is a reasonable assumption that had the charter of the Bank of the United States not been revoked, and had banks been permitted to organize without extraordinary interference on the part of the government, there would have grown up a banking system—however different from that which grew out of the same beginnings in Canada—which would have been suited to the requirements of the country. The conscientious endeavors of the early legislators to destroy whatever should have the semblance of a British institution has brought a rich reward.

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

Lien Notes

QUESTION 41.—Referring to the case of *Dominion Bank v. Wiggins*, reported at page 80 of vol. I of the JOURNAL, and to the comment on the case at page 2 in which you express the opinion that a lien note could possibly be so framed as to make it negotiable and yet do all that is effected by the lien note now commonly in use,—would the following form of note meet the case:

Six months after date I promise to pay _____ or order at the _____ Bank, Winnipeg, _____ dollars, value received.

This note is given for a _____ reaper, on which I hereby give a lien to the holder of this note from time to time as security for the payment of this note.

ANSWER.—We think that the above is a negotiable promissory note, giving the holder thereof all the rights and remedies usually possessed by the holder of a negotiable instrument. Although it is stated that the money to be paid is the consideration for the sale of the property, there is nothing importing that anything further is to be done by the vendor of the property in the way of making title or otherwise. On the contrary, the maker gives a lien to the holder of the note which would imply, if anything, that the sale to the maker was complete. We do not say that the lien given would afford a safe security, as it would be void as against creditors under the chattel mortgage Act. We merely say that mention of the lien on the note would not prevent its being a negotiable instrument.

Endorsement by an Official on behalf of a Company

QUESTION 42.—What is the legal difference, if any, affecting either the bank itself or its signing officers, between the

following forms of signing drafts, receipts, orders, etc.: "The Bank of Canada—A. B., Manager or Director," and "For the Bank of Canada—A. B., Manager or Director"?

ANSWER.—We think there is no difference whatever, either affecting the bank or the signing officer, in the effect of the above modes of signature. Either would be held to indicate that A. B. was signing on behalf of the bank.

Identification of the Payee of a Cheque

QUESTION 43.—A cheque drawn to order is presented for payment by an individual unknown to the officials of the bank. He claims to be the payee. Is the bank entitled to delay paying the cheque while it takes diligent steps to satisfy itself as to the identity of the payee?

ANSWER.—We think the bank is so entitled. Unless the cheque had been accepted by the bank, and a liability thereby incurred towards the payee, the bank by refusing absolutely to cash the cheque would not be responsible to anyone but the drawer; *a fortiori* it would not be responsible to the payee by merely delaying payment. The drawer's direction to the bank in the cheque is to pay to a particular person, or to his order. Unless the drawer affords the bank some means of immediately identifying the payee, he must be taken to have intended that the bank should see to his identity. He therefore cannot complain if the bank takes a reasonable time to do this. Therefore the action of the bank in not immediately paying the cheque would not be considered a refusal to pay, entitling the drawer to an action for damages because his cheque was dishonored. If the cheque had been accepted by the bank and a liability thereby incurred towards the payee, the bank's refusal to pay immediately on presentation by the proper person would give him the right to sue the bank at once, but his claim would be limited to the amount of the cheque and interest; he would have no claim for special damages; and, as costs are now in the discretion of the Court, it is entirely probable that the Court would refuse the plaintiff his costs if he were unreasonable in commencing his action, and if the bank in delaying payment acted reasonably under all the circumstances and paid the amount into Court so soon as it obtained reasonable evidence of identity.

Witnessing a Signature by Mark

QUESTION 44.—What does witnessing a man's mark imply, identification of the man, or merely that the witness saw the mark made?

ANSWER.—Where the person making the mark is described

in the document, the witnessing of his signature or mark implies *prima facie* that the person signing or making the mark is the person described in the document. For instance—if he were described as John Smith, lumberman, of Ottawa, the implication would be that the witness saw a John Smith, lumberman, of Ottawa, sign, or make his mark. The implication would not be conclusive; evidence would be admissible to show that the person actually signing or making his mark was not the person described in the document. If the person be not described in the document, then the witnessing of his signature or mark merely implies that the witness saw the signature or mark made by an individual of that name. The identity of the individual with the person claimed to be a party to the instrument would have to be proven.

Guarantee Written upon a Bill or Note

QUESTION 45.—A man writes and signs upon the back of a bill or note the following: "I hereby guarantee payment of the within." Is he entitled to notice of dishonor?

ANSWER.—We think not, and for the following reasons: The contract made is a contract of guarantee and not of endorsement, and to make a guarantor liable it is not necessary that he should receive notice of non-payment of the debt payment of which he guaranteed. The only doubt upon the subject arises under section 56 of the Bills of Exchange Act, 1890. That section is as follows: "Where a person signs a bill otherwise than as a drawer or acceptor, he thereby incurs the liabilities of an endorser to a holder in due course, and is subject to all the provisions of this Act respecting endorsers." The words "and is subject to all the provisions of this Act respecting endorsers" do not appear in the English Act, and it may be contended that a person who signs a guarantee on a bill signs the bill otherwise than as a drawer or acceptor, and that, being subject to all the provisions of the Act respecting endorsers, he is entitled to notice of dishonor. We think, however, that a person who signs a guarantee on the back of a bill cannot be said to sign the bill within the meaning of section 56. He is not signing the bill; he is signing a special contract which he has written upon it. If every person who merely places his signature upon a bill signs it within the meaning of section 56, then a mere witness described as such would incur the liability of an endorser. This, of course, could not be so. The statute cannot mean that a person who signs his name on a bill, with an express statement of the contract which he intends thereby to make, or of the capacity in which he signs, becomes liable to any greater extent than the special contract or capacity calls

for. If this were not so, then a person who upon a bill for \$1,000, wrote and signed a guarantee to the extent of \$100 only, would under section 56 become liable for the whole thousand, a *reductio ad absurdum*.

Alteration of a Cheque after Certification by the Bank

QUESTION 46.—A draws a cheque payable to B for \$1,000: gets it certified by his bank, and sends it by post to B. B finds he does not need it and returns it to A, but omits to endorse it. A changes "order" to "bearer" and initials the alteration; then presents it to the bank for payment. The bank, however, refuses to pay the cheque, and allows it to be protested on the ground that the cheque has been altered since it was marked. Is the bank right?

ANSWER.—We think the bank is technically right, as the alteration of the cheque without the bank's consent avoided it, and the bank could strictly decline to cash it. Substantially, however the drawer would not lose the thousand dollars. It would work out in this way: The drawer of a cheque may at any time before payment countermand the cheque, and, as between the bank and the drawer, the bank must upon the countermand decline to pay and still hold the money for the drawer. If, however, the payee gets the cheque marked at the bank, then the drawer cannot countermand; but should the payee not get immediate payment, and should the bank subsequently fail or refuse to honor the cheque, the drawer would not be liable upon it to the payee. But we think that where the drawer himself gets the cheque certified he can still countermand it before he has parted with it; in other words, before the bank has become liable to anyone but himself upon it. If, therefore, in the case put, the drawer before sending the cheque to B had changed his mind and cancelled the cheque and handed it back to the bank, the bank would have had to reverse the entry and credit his account again with the amount. The payee having returned the cheque to the drawer, and it being lawfully and beneficially in his possession, we think he would have the same right to cancel it and countermand its payment. Had he done so the bank would have been bound to restore the amount to the credit of his account, and he then might have drawn a new cheque and got it cashed. He clearly had no right without the assent of the bank to alter the existing cheque, and ask to have it cashed.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

Material Alteration of a Bill of Exchange.—In discussing the decision of the House of Lords in *Scholfield v. Londesborough*, published in this number of the JOURNAL, the *Solicitors' Journal* notes that the judgment has finally disposed of the doctrine that the acceptor of a bill of exchange owes any duty to a subsequent holder of the bill to see that it is drawn in such a form as not to facilitate a fraudulent alteration. The doctrine had been based on the decision of the Court of Common Pleas in *Young v. Grote*, where the bank was defrauded through the negligence of its customer with respect to the issue of a cheque, the ground of the decision being stated by Best, C.J., in these words: 'We decide here on the ground that the banker has been misled by want of proper caution on the part of his customer.'

"*Young v. Grote* is not overruled by the House of Lords, but it is held to extend no further than the case of banker and customer, and even as to this when a case again arises it is possible that the matter will require further consideration. As to bills of exchange at any rate, there is no rule imposing upon the acceptor a duty towards the holder of the bill to examine the bill and put it out of the power of any person who obtains possession of it while in circulation, to make a fraudulent alteration.

Sometimes in case of palpable negligence, the result may seem to press hardly on an innocent indorsee, but for the great bulk of business transactions an opposite decision would have been productive of much inconvenience. As the Lord Chancellor pointed out, supposing it to be settled that a bill of exchange must be critically examined by the acceptor, yet it is impossible to say exactly to what points the acceptor ought to direct his attention so as to escape the charge of negligence. In the present case reliance was placed only on the form of the bill and the amount of the stamp, but cases might arise in which the texture or color of the paper or ink might become important. Moreover the conditions under which bills are usually accepted forbid a minute examination of this nature, with the possible

necessity of throwing the bill back on the drawer's hands, a step likely to result in very serious complications. After all the loss is really due not to the negligence, but to the fraud which is perpetrated after the acceptance, and Lord Macnaghten observed that the prevention of crime is better left to the criminal law. The present decision removes much of the doubt to which *Young v. Grote* has given rise, and greatly simplifies the law as to the relation to each other of the parties to a bill of exchange."

The following item relating to the theft of a portion of a shipment of bullion, and to a suit arising therefrom, is taken from *The Solicitors' Journal* of 29th August :

The bullion case recently decided by Mathew, J., presented a very curious puzzle. The Colonial Bank had occasion to despatch £5,000 in gold to their branch in Kingston, Jamaica. The gold was packed in five separate boxes, and was shipped under a bill of lading to go by one of the boats of the Royal Mail Steam Packet Co. The boxes were fastened with nails at the sides and ends, banded with iron hoops, and sealed at each of the joints. In addition, all five boxes were bound together with iron hoops so as to form one parcel. The parcel was accompanied from the Bank of England to Southampton by the bullion clerk of the Colonial Bank, and was delivered on board ship, where it was stowed in the bullion room. In the bullion room it was secured by an elaborate arrangement of Chubb's locks, the keys being in the custody of the captain. On arriving at Barbadoes the bullion room was twice opened to get out some cases of specie for trans-shipment, but there seems to have been no negligence on these occasions, and otherwise the room was not interfered with. When the ship reached Kingston the bank was notified, and two clerks attended to receive the parcel of gold. It was brought up on deck in the presence of the chief officer, examined carefully by the bank clerks and the chief officer, and declared to be all right. The bill of lading was handed over, and the bullion was taken by the clerks in an open cab to the bank. It was received by the bank manager and placed in a room. After an interval of a few minutes one of the workmen of the bank stripped off the band fastening the boxes together, and the middle box turned out to be empty. On examination it was found that the end nails had been drawn and carefully put back, and that there were chisel marks on one of the ends of the box. A nail-puller was found upon the premises of the bank. The narrative shows that the care taken of the parcel was in theory sufficient to exclude any possibility

of theft, and yet the theft had been committed. The Colonial Bank sought to throw the responsibility on the ship, that is, on the Royal Mail Steam Packet Co.; and if the Court had had really to decide according to probabilities—for certainty was out of the question—the task would probably have been impossible. But in such cases a decision is always rendered possible by placing on one of the parties the burden of proof; and in the present case Mathew, J., held that after the examination by the bank clerks and the handing over of the bill of lading, the burden lay upon the bank. This burden they could not discharge. There was no evidence of negligence against the ship, and judgment accordingly went in favor of the defendants, the Royal Mail Steam Packet Co. The result is to a slight extent supported by the failure of the bank clerks to notice any chisel marks on the box when the package was handed over, and by the presence of the nail puller on the bank premises. But, of course, it is easy enough to notice the marks now, and the nail puller was not a unique article. The Colonial Bank have to bear the loss, but the case does not seem to have gone far to clear up the mystery.

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The Co-insurance Clause.—A case arising out of the co-insurance clause in a policy of fire insurance was recently decided by the Court of Appeal for Ontario.* We give following a brief statement of the facts, as it covers an illustration of the precise effect of this condition in an insurance contract, as to which some of our bank managers may not all be fully alive.

The policy, the subject of the suit, was for \$6,000 and contained the following provision:

"Seventy-five per cent. co-insurance clause. It is a part of the consideration of this policy, and the basis upon which the rate of premium is fixed, that the insured shall maintain insurance on the property covered by this policy of not less than seventy-five per cent. of the actual cash value thereof, and that failing so to do, the assured shall be a co-insurer to the extent of such deficit, and in that capacity shall bear his, her or their proportion of any loss."

The property insured was valued at \$28,732, and the total insurance carried was \$10,000. A fire occurred, the loss by

*Wanless v. Lancashire Ins. Co., *Ont. App. Rep.* xxiii., 227.

which was appraised at \$3,226, and the assured sought to recover the full proportion of this loss, namely, three-fifths, or \$1,935, under the policy in question. The company, relying on the co-insurance clause, contended that the assured was co-insurer to the extent of \$11,549, the deficiency between the total insurance carried and 75 per cent. of the value of the property, and that the company's share of the entire loss was not in the proportion of 6,000 to 10,000, but of 6,000 to 21,549, or \$898 instead of the \$1,935 sought to be recovered. The Court found that the contract was intended by both parties to be one of co-insurance, but on another ground gave judgment against the company for the amount sued for.

The co-insurance clause is not part of the form of contract prescribed by the Insurance Act, and it is a requirement of that Act that any omission from or addition to the prescribed form shall be printed in conspicuous type and in ink of different colors, it being expressly declared that no question as to the reasonableness of this requirement shall arise, but that the statutory conditions only shall govern unless the variations are set forth in the above manner. The policy in this case did not conform to the Act in this respect, and the co-insurance clause was therefore held to be of no effect.

Note Payable in an Indefinite Time.*—The contractor for a building gave to the plaintiff, a lumber merchant, the following order: "On completion of contract on building now in course of erection, pay to the order of (plaintiff) \$400, value received, and charge to account of ——," and the defendant accepted thus: "Accepted payable at Niagara Falls, Ont., as payment for lumber used in my building." After this the defendant paid to the contractor more than \$400. The contractor made default before the completion of the building, when more than \$400 of the contract price had yet to be earned, and the defendant put an end to the contract and completed the building, the cost being more than the contract price.

It was held by the Court of Appeal, reversing the judg-

*Thomson v. Huggins, *Ont. App. Rep.* xxiii., 191.

ment of the trial Judge, that the order was not a bill of exchange, because the time for payment was indefinite, nor an equitable assignment, because the fund out of which the payment was to be made was not specified; but was merely a promise to pay upon the completion of the contract by the contractor, or some one on his behalf, and that by reason of his default no liability arose.

The case serves to illustrate section 3 of the Bills of Exchange Act.

HOUSE OF LORDS¹

Scholfield v. The Earl of Londesborough²

The respondent accepted a bill so drawn that the drawer was able subsequently to alter the amount from £500 to £3,500.

Held, affirming the decision of the Court of Appeal, that he was liable only for £500 on the bill.

Young v. Grote, considered.

This was an appeal against a decision of the Court of Appeal, dismissing by a majority an appeal from a judgment of Mr. Justice Charles at the trial of the cause without a jury.

The facts of the case have already been given in the JOURNAL,³ but in view of the importance of the case and for convenience, they are repeated following :

The action was to recover £3,500 on a bill of exchange, dated Sept. 8, 1890, and drawn by one Sanders upon and accepted by the respondent. The appellant was the holder of the bill in good faith and for valuable consideration. The bill when accepted by the respondent was for £500 only, and since then and before it was endorsed it had been fraudulently altered into a bill for £3,500. The bill bore a £2 stamp, which was sufficient to cover £4,000. In the left-hand corner of the bill at the time of the acceptance were the figures "500," preceded by the sign "£." Between the "£," however, and the figures was a space sufficiently wide to admit of another figure being interpolated. The body of the bill was in three lines. On the first were the words "Three months after date"; on the second were the words "Pay to me or my order the sum of"; and on the third were the words "Five

¹ Before Lord Halsbury, L. C., Lords Watson, Macnaghten, Morris, Shand and Davey.

² *The Times Law Reports*.

³ Vol. II, p. 389,

hundred pounds for value received." After the word "of" in the second line there was sufficient space left for the addition of another word; and before the word "five" in the third line there was also a space for the addition of a word without carrying the third line further to the left than the word "pay" in the second. Mr. Justice Charles, in his judgment, stated that Sanders, having obtained the respondent's acceptance to the bill so drawn, inserted the figure "3" between the sign £ and the figures 500, and in the body of the instrument added the words "three thousand" between the word "of" on the second line and the words "five hundred" on the third line, writing the word "three" on the second line and "thousand" on the third line; and in that shape he negotiated it. The respondent, while denying liability, paid £500 into Court. It was contended on behalf of the appellant that the respondent was liable for the whole amount of the fraudulently altered bill upon the ground of estoppel by negligence, as laid down in *Young v. Grote*, the negligence alleged consisting—first, in accepting a bill which would probably be negotiated and pass through many hands in such a form that a fraudulent alteration was rendered easy, whereby subsequent innocent holders might be defrauded; and, secondly, in accepting a bill for £500 upon a paper bearing a stamp large enough to cover £4,000. The learned Judge held that the respondent was not estopped by the above facts from denying that he had accepted a bill for £3,500; that the respondent was liable for £500, the amount of the bill as originally drawn and accepted; and this sum having been paid into Court, he gave judgment for the respondent.

The case was argued some time ago, when judgment was reserved. Their Lordships delivered judgment on 31st July, 1896, dismissing the appeal.

The LORD CHANCELLOR.— . . It is not contended that the bill is not a forgery, and if nothing else appeared it would, of course, be a sufficient defence for the acceptor to plead and prove that he never accepted any such bill as that for which the plaintiff brought his action. But it is contended that the form of the bill was such that the respondent was negligent in accepting it. The bill as originally accepted was so far in ordinary form and perfect that but for some criminal act it was, in its then form, a complete bill of exchange, leaving nothing to be added to or taken from it. It

is said, indeed, that certain spaces were left which gave opportunity for the insertion of the added words and figures, and if by that is meant that the words and figures were not written so closely together as to prevent the insertion of other words and figures, the observation is true. But when it is said that certain spaces were left it is to be remembered that there was nothing unusual or calculated to excite attention in the intervals between the written words and figures by which the bill was made. As a matter of fact, the person who drew the bill intended to draw it in such a way as to enable him to fill up the intervals between the letters and figures in question; but, to my mind, there was nothing suspicious in the appearance of the bill when tendered to the respondent for acceptance, calculated to put him on his guard. I cannot myself understand why the particular form of fraud adopted in this case should have any different operation in giving validity to a forged instrument rather than other forms of fraud to which such instruments are subject. I am not aware of any principle known to the law which should attach such consequences to a written instrument when no such principle is applicable in any other region of jurisprudence where a man's own carelessness has given opportunity for the commission of a crime. A man, for instance, does not lose his right to his property if he has unnecessarily exposed his goods, or allowed his pocket handkerchief to hang out of his pocket, but could recover against a *bona fide* purchaser of any article so lost, notwithstanding the fact that his conduct had to some extent assisted the thief. It is true that stolen goods sold in market overt could be retained by a *bona fide* purchaser for value, notwithstanding they had been previously stolen; but the same result would follow equally whether the owner had been careful or careless in the custody of his goods. The truth is that the whole doctrine, that facilitating forgery, or giving opportunity for forgery, affects the validity of the instrument forged, or so acting that a forgery is a possible result, may be traced in English law, at all events, to the case of *Young v. Grote*, and probably beyond, to certain doctrines of the Roman civil law, which, to my mind, form no part of the law merchant so far as it exists in English jurisprudence. That case has been pushed so far in argument that I think the time has come when it would be desirable to deal with it authoritatively by your Lordships, and to examine how far it ought to be quoted as an authority for anything. It is to be observed that when one looks at the judgments delivered there is an inextricable confusion, not only among the different Judges, but in the judgment of each Judge in turn. Chief Justice Best says:—"If Young, instead of leaving the cheque with a female, had lett it with a man of business, he would have guarded against

fraud in the mode of filling it up." So that here the negligence is made to consist, so far as the drawer was concerned, in leaving a cheque, already signed in blank, with a female unacquainted with business, and in accordance with this view the learned Judge goes on to distinguish *Hall v. Fuller*, because, he says, the alteration in that case was not made by the drawer's clerk nor a person improperly trusted by him, but by an entire stranger, who accidentally became possessed of the cheque. Justice Park, again distinguishing *Hall v. Fuller*, says:—"Can anyone say that the cheque signed by Young is not a genuine order? I say it is. The cheques left by him to be filled up by his wife, when filled up by her became his genuine orders." This is an intelligible ground, but the learned Judge immediately adds that the arbitrator had found negligence on the part of the drawer, and he says he concurs, and then goes on, "He leaves blank cheques in the hands of his wife, who was ignorant of business, but having left them with her to be filled up as the exigency of the moment might require, they became upon her issuing them his genuine orders." It is manifest that the learned Judge oscillates between the two views. In the perfectly sound view upon which he decides in the defendant's favor he adds the absolutely irrelevant statement that the cheques were left in the hands of the wife, who was ignorant of business. Burrough, J., seems only to deal with the question of negligence, and says the blame is all on one side, while Gaselee, J., points out the circumstances negating the general authority of the clerk, who was the actual forger, either to fill up cheques or to receive money from the bank; these circumstances, he says, might have strengthened the case. It is not very surprising that a variety of reasons have been given by various Judges for not disagreeing with the case. The arbitrator had decided that there was negligence, and Mr. Justice Park, as is apparent, puts forward, and justly puts forward, the argument that by the act of the drawer's wife that cheque became the husband's genuine order. Shortly put, the argument is that he attached his genuine signature, leaving it to be filled up by his wife, and, as the learned Judge emphatically says, "when filled up by his wife they became his genuine orders." If that is a true view of the case, and that is the learned Judge's reasoning, it could not be doubted but that it was the drawer's genuine order. My Lords, I am not concerned to discuss whether the particular mode in which a written order which was given by the banker to his customers for the purpose of being filled up in the usual way before signing it, may afford ground for saying that the banker was misled by his own customer. If, to use Lord Cranworth's phraseology, the customer by any act of his has induced the banker to act upon the docu-

ment which by his act or neglect of some act usual in the course of dealing between them, it is quite intelligible that he should not be permitted to set up his own act or neglect to the prejudice of the banker whom he has thus misled, or by neglect permitted to be misled. I do not say that had I been the arbitrator I could have agreed that there was in the particular case any such neglect as would have come up to this proposition; but the principle, as Lord Cranworth says, is a familiar one, though it may not have been properly applied to the then state of facts. Your Lordships have acted upon it in *Ireland v. Livingstone*, and in *Vagliano v. The Bank of England*, and the minuteness with which the arbitrator described the printed forms of drafts which were supplied by the bankers to their customers, indicates what was in his mind as to what I will describe as an agreed or assumed course of business between banker and customer, and under those circumstances the finding of negligence which was conclusive upon the Court might have justified it in assuming that the facts brought it up for the proposition which Lord Cranworth suggests; but, unfortunately, I think Chief Justice Best adopted the argument presented to him that Pothier might be quoted as an authority decisive of the case, and I think some of the confusion that has arisen upon the frequent occasions when the case has been quoted has been the misapplication of what Pothier, in fact, has said, and the more serious assumption that what he has said forms any part of the mercantile law of England. Now Pothier in his *Treatise on Bills of Exchange*, and commenting on Scacchia, a Roman lawyer of the 17th century, gives a variety of illustrations sometimes adopting and sometimes modifying the rules which Scacchia lays down. The noble lord then read at length the text and the commentary, and continued:—My Lords, I do not myself think that either the original by Scacchia or the commentary by Pothier is relevant to the matter in hand. We are not dealing here with either “mandant” or “mandatory,” and I do not think that it is part of the commercial law of England, howsoever applied, and before accepting the modified doctrine of Pothier it is well to see what that doctrine is. That learned author, who gives the case of the forger who has added a cipher to the sum written in figures, gives it expressly as an example illustrative of his principle, proceeds to show that it is founded on certain pronouncements of the civil law, and proceeds accordingly to show that a slave sold with a knowledge that he was a thief makes his master responsible to the purchaser for any theft he may commit. M. Bugnet, the very learned commentator, points out in the note quoted that it is impossible to render the drawer responsible for an act to which he is no party, and it would be impossible to particularize all

the precautions that it would be necessary to take. The language used *la faute du tireur* may be satisfied by a great many things which certainly the English law would not recognize as an answer, but which the language of Pothier would obviously include. The careless keeping of a cheque-book, like the careless keeping of the seal in *The Bank of Ireland v. Trustees of Evans' Charities*, might well satisfy the words *faute du tireur*, and I confess I should regard with great apprehension a decision that anything that a jury should regard as the *faute du tireur* should render a forged instrument valid. As M. Bugnet truly says, it is impossible to particularize all the things that might have to be considered—the sort of paper, the ink. There are well-known precautions which, for greater security, some banks take to prevent the forgery of their notes. There is some color which prevents, or, at all events, renders difficult, imitations by photography, and is it to be in each case a question for the jury whether this or that precaution was omitted in drawing a bill, or in accepting it when drawn? It seems to me it would be a very serious proposition to lay down that such questions should be permitted to arise when dealing with such an instrument as a bill of exchange, and other questions would then arise, as, I think, was pointed out in the course of the argument, a minute examination of every bill tendered for acceptance, and a consideration of how far its form might give an opportunity to a forger to forge and escape detection. My Lords, this very case has in almost precisely similar circumstances been already decided in *The Adelphi Bank v. Edwards*, and I regret very much that that case has not been reported. I entirely concur with what Lord Justice Lindley said in that case—that it was wrong to contend that it is negligence to sign a negotiable instrument so that somebody else can tamper with it; and the wider proposition of Chief Justice Bovill in a former case, *Société Générale v. Metropolitan Bank*, that people are not supposed to commit forgery, and that the protection against forgery is not the vigilance of parties excluding the possibility of committing forgery, but the law of the land. It appears to me that even the modified rule laid down by Pothier, considering the principles on which that learned author himself relies for its acceptance, is not and never has been the law of England. I think this appeal ought to be dismissed with costs.

LORD WATSON delivered judgment to the same effect.

The other noble and learned Lords having concurred, the appeal was dismissed with costs.

QUEEN'S BENCH DIVISION, ENGLAND

In re Sass. *Ex parte* the National Provincial Bank of England, Limited*

A surety guaranteed the whole of the indebtedness of S. to a bank, but the total amount recoverable from him was not to exceed £300. Subsequently a receiving order was made against S., when his indebtedness to the bank amounted to over £700. The surety paid the £300 to the bank, after which the bank presented to the assignee of their principal debtor a proof for the whole debt.

Held, that they were entitled to prove for the whole of their debt, for the guarantee being for the whole amount, the surety could not prove against the estate unless he paid the bank in full.

Appeal by the National Provincial Bank of England, Limited, against the partial rejection of their proof by the official receiver, trustee in the bankruptcy of Sass.

Edwin Sass, the bankrupt, had an account with the bank, which was overdrawn to the extent of about £800 at the date of his being made bankrupt. As security against his overdrafts the bank held a guarantee from a Mr. Stourton, of which the following were the material parts :—

"I, the undersigned, Henry Stourton, hereby guarantee to you the payment of any sum or sums of money which may be now or may hereafter from time to time become due or owing to your bank anywhere from or by Edwin Etty Sass, his executors or administrators (who are all hereinafter referred to as "the said debtor"), either solely or jointly with any other person or persons in partnership or otherwise, upon banking account or upon any discount or other account, or for any other matter or thing whatsoever, including the usual banking charges. This guarantee is to be a security for the whole amount now due or owing to you, or which may hereafter from time to time, until the expiration of the notice hereinafter mentioned, become due or owing to you by the said debtor, but nevertheless the total amount recoverable hereon shall not exceed three hundred pounds, in addition to such further sum for interest and other banking charges and for costs as shall accrue after the date of demand by you for payment. . . . And in case of bankruptcy, liquidation by arrangement, or composition with creditors, any dividends you may receive from the estates of the said debtor or others shall not prejudice your right to recover from me, my executors or administrators, to the full extent of this guarantee, any sum which after the receipt of such dividends may remain owing to you from the debtor."

In 1894 the bank called upon the guarantor to pay the sum guaranteed, and he paid them the £300 and £3 11s. 9d. interest from the date of their demand. The bank placed this amount to the credit of their "Realized Securities Account," and did not treat it as a payment received from the debtor. Upon February 14th, 1895, they proved against the estate of

*The Weekly Reporter.

the debtor for the full amount owing to them. The trustee rejected their proof to the extent of £303 11s. 9d., the amount received by them from the guarantor.

The bank appealed.

VAUGHAN WILLIAMS, J.—In this case I think the official receiver was wrong in rejecting part of the proof. In my opinion the common law right of the bank here was to sue the debtor for the whole amount due from him, irrespective of the amount paid by the surety, unless that came to twenty shillings in the pound. In bankruptcy the principal creditor has a right to prove for the whole of his debt, unless the surety is a surety for part of the debt only, and has paid that part; then the right of proof *pro tanto* goes to the surety, who is entitled to stand in the shoes of the principal creditor to the extent of the amount which he has paid.

Here all that I have to do is to examine this guarantee, and see whether, as between the bank and the surety, the surety was for the whole or part of the debt, and it is clear that he was surety for the whole, notwithstanding the fact that his liability was limited; and he, having paid part only of the debt, could not be allowed to prove in the bankruptcy. I should have said that this was quite clear upon the first part of this guarantee; but if there were any doubt, the last clause amply suffices, either by itself or read with the first part, to show that, as between the bank and the surety, the bargain was that the bank should have the benefit of all sums paid as dividends or otherwise; and it would be wrong to hold that the surety, as against the bank, could have any rights by reason of his guarantee, unless he paid them the full amount owing by the debtor. The proof must be admitted for the full amount.

Appeal allowed with costs.

CHANCERY DIVISION, ENGLAND

*Re The Lands Securities Co., Ltd.**

Expressions in a document addressed to commercial men should be construed in the sense which ordinary men of business would understand them. Accordingly the words "discount at the rate of 4 per cent." in a scheme of arrangement and compromise with creditors were held to mean discount in the popular sense, viz.: a rebate of interest on the amounts.

Under an agreement between the debenture holders and the creditors of a company, a call of £25 per share was made, payable in instalments of £2 at intervals spread over four years,

**The Weekly Reporter.*

with the option to pay up the total calls or any portion thereof under discount at the rate of 4 per cent. per annum. The liquidator calculated the amount payable by a shareholder in the case disputed at such a sum as with interest at 4 per cent. would amount to the total amount of the call of £25 per share. The shareholder paid the amount under protest, but claimed that it was £650 more than he should have to pay, maintaining that he should be allowed a rebate of four per cent. on the payments made before maturity.

The case was tried before Vaughan Williams, J., who held that the agreement meant true discount and not discount in the popular sense. This decision has now been reversed by the Court of Appeal.

LINDLEY, L.J. (after discussing the facts): Now, it appears that this expression "under discount at the rate of four per cent." is open to some little ambiguity. It may mean either one thing or the other; and the question is, What would any ordinary business man understand by this scheme? I apprehend that whatever would be the meaning put upon this expression by ordinary business people is the meaning to be put upon it. Now, it strikes me, I confess, that any ordinary business man—any person accustomed to deal with companies or anything of that kind—would understand the expression "under discount at 4 per cent." in the ordinary commercial sense; that is to say, "I shall pay you the amount less 4 per cent. interest," and his mind would not run on the present value. On the other hand, I agree that an actuary of an insurance company would adopt the calculation which the liquidator has adopted here; but when you look at the form of this clause 3, and the rate of 4 per cent., and when you bear in mind that 4 per cent. cannot easily be made, at all events by investment, it strikes me that a person reading this would be led off the consideration of the present value, and would be led on to the ordinary business meaning of the phrase. Vaughan Williams, J., seems to admit that; but then he says he thinks that mode of calculation would produce an unfair inequality between those who can pay and avail themselves of this option, and those who cannot. But it is obvious that this option was held out to the shareholders as an inducement to them to pay earlier. The liquidator's position is this. He had debentures bearing interest, on an average, at 4 per cent., and I do not doubt that it would be better for the debenture-holders that this discount should be calculated on the present value theory rather than on the rebate theory. But we must come back to the question, What would an ordinary

person understand by these words? I cannot think that the supposed inequality is a sufficient justification for departing from the meaning which anybody would put upon them. I must say I think that the rebate principle is the correct one. I think anybody reading this document, and coming to this arrangement upon these terms, would so understand it; and I think that is the true construction of the document and the one which we ought to abide by. I think, therefore, that Vaughan Williams, J., was wrong in this matter, and that his first impression was the right one.

Lopes and Kay, L.JJ., delivered judgments to the same effect.

CHANCERY DIVISION, ENGLAND

Edwards v. Walters*

A promissory note payable to a specified person without the words "order" or "bearer" is a negotiable instrument within the meaning of the Bills of Exchange Act. Such a note when made payable "on demand" is "at maturity" as soon as it is made, and therefore, under secs. 62 and 89 of the Act, if the holder of the note desire to renounce all rights in it the renunciation must be in writing, unless the note is delivered to the acceptor in person, though possibly delivery to the acceptor's legal personal representatives will suffice.

Accordingly, where the holder of a note made a parol renunciation of all rights in it and delivered the note to one of the devisees of the real estate of the acceptor, who by his will had charged his real estate with payment of his debts, the renunciation was held to be insufficient.

The facts in this case are sufficiently indicated above, and the finding of the Court of Appeal on the point chiefly of interest to bankers is that a note payable "on demand" is "at maturity" as soon as it is made. The plaintiffs were executors of the person to whom the note was payable, and the defendants were devisees of his real real estate which had been charged with the payment of the testator's debts, and therefore the persons on whom the obligation to pay the note would rest unless they should allow it to come against the real estate.

The Court held that while the gift of the note to one of the devisees was strong evidence of the intention to forgive the debt, the note unfortunately was not endorsed by the payee nor was there any consideration to support the agreement not to sue. There was in fact nothing except an intention not carried out, and such an incomplete transaction did not amount to a gift of the debt nor to any equitable release of it.

**The Weekly Reporter.*

COURT OF APPEAL, ONTARIO

McPhillips v. London Mutual Fire Insurance Co.*

The interest in a policy of insurance issued partly upon a building and partly upon the chattels contained therein, was assigned by the insured to the mortgagee of the real property (who at the time had no interest in or claim upon the chattels), by endorsement on the policy, without the consent of the company being obtained to the assignment. The policy did not contain the usual provision that any assignment without the company's consent should avoid the contract of insurance.

Held, that the assignee of the policy could recover from the company the loss upon the chattels as well as upon the building.

The defendants on 27th May, 1893, issued a policy of insurance to one McNulty, for \$1,200, \$600 on his dwelling and \$600 on the contents thereof. The land and buildings were at this time mortgaged to the plaintiff for \$3,000, and the loss, if any, under the policy as issued, was to be payable to the plaintiff, as his interest might appear. On 29th July following McNulty executed under seal the following assignment of the policy, endorsed thereon :

"For value received I hereby transfer, assign and set over unto P. McPhillips, Esq., and I assign all my right, title and interest in this policy of insurance, and all benefit and advantage to be derived from the same, in consideration of a certain loan from the said McPhillips to me by way of mortgage security and one dollar."

The policy did not include the usual provision that a transfer without the company's consent should avoid the policy, nor was the company's consent to the above transfer obtained. Subsequently McNulty gave the plaintiff a mortgage upon the chattels. A fire occurred in January, 1895, and there was a total loss on the buildings and a partial loss on the contents.

The company resisted the plaintiff's claim for payment upon the ground that the assignment without their consent rendered the policy void, and that as to the chattels the plaintiff could in no event recover, as at the date of the assignment he had no interest in them.

The action was tried at London in January, 1896, before Meredith, C.J., who gave judgment for the plaintiff in respect of the loss on the buildings for \$600, and for \$140 in respect of the loss on chattels.

The defendants appealed as to the judgment in so far as it related to the loss on chattels. The appeal was argued before

**Ontario Appeal Reports.*

Hagarty, C.J.O., Burton, Osler and Maclellan, JJ.A., and was dismissed. We quote from the judgments as follows :

BURTON, J.A.: I was at first inclined to think that the formal transfer of the policy carried the case no further, and that the claim was confined to the sum recoverable in respect of the mortgage on the buildings, but a further examination has convinced me that whatever is recoverable under the policy is assigned, the latter portion of the assignment being designed to show the consideration for which it was made.

When, as is sometimes to be found in the books, a fire policy is said to be unassignable even in equity without the consent of the insurers, it must be taken to mean that the transfer which is prohibited is that of the entire ownership. The assignment in this case did not profess to vary in any respect the contract of insurance. It was, as has been held in several American cases, a mere appointment in favor of McPhillips to receive, and a direction to the insurers to pay to him, the loss when, if at all, it should occur.

The interest of McNulty in the property continued as before, but it was an appropriation beforehand to the payment of the plaintiff's debt of the money secured by the policy, should that loss ever become payable. I can see no valid objection to such an assignment. If instead of this formal assignment it had taken the shape of an order on the insurers to this effect—in the event of loss, pay the amount of such loss to McPhillips—what objection could there be to such an order? It simply converts one of the parties into a trustee for the other. It is only a contingent order or assignment of what may become due under the policy.

OSLER, J.A.: The defendants compare this to the case where the insured has sold the property out and out, and has attempted by assignment or transfer, without the consent of the company, to attach or continue the risk to the goods in the hands of the new owner. That is what is referred to in the passage cited from *Griffey v. New York Central Insurance Co.*, 100 N. Y. 417, and in Bunyon's *Law of Fire Insurance*, 4th ed., pp. 14, 256; but there is not the least analogy between the two cases.

Here McNulty remained the owner of the goods insured. All he did was to assign his interest in the policy and the benefit and advantage he might derive therefrom in case of loss to the plaintiff as collateral security.

It was no more than an assignment of a chose in action to which no consent by the insurers was necessary. McNulty remained the insured, but he provided thereby that the loss, if it occurred, should be payable to some one else, who was in fact his own creditor. No case in our law was cited which forbids

that to be done. The assent of the insurers is essential only where the policy is assigned to accompany a sale of the property insured, and a new contract of insurance is intended to arise between the purchaser and the insurance company. Subject to the chattel mortgage, McNulty was at the time of the fire both owner and insured. The assignment having been by way of security, this action ought properly to have been brought in his name, but as he has refused to become party plaintiff it is properly maintained in the name of the plaintiff, as assignee.

I feel a satisfaction in saying that as against the objections taken the judgment should be affirmed.

Hagarty, C.J.O. and MacLennan, J.A., concurred.

COURT OF APPEAL, ONTARIO

Davidson v. Fraser¹

Endorsing and giving to a creditor the unaccepted cheque of a third person in the debtor's favor is not protected as a payment of money to the creditor by the debtor within the meaning of section 3 of R. S. O., ch. 124.²

This was an appeal by the plaintiffs from the judgment of the Common Pleas Division.

The plaintiffs, who were simple contract creditors of the defendant W. A. Fraser, brought the action on behalf of themselves and all his other creditors to set aside three conveyances of land made by him to his wife, and to have her declared trustee for him of certain insurance moneys on his stock-in-trade received by her. It is unnecessary to set out the facts in detail as to the conveyances, as the Court came to the conclusion on the evidence, that Fraser was solvent when the conveyances were made. The fire occurred in July, 1892. He was insolvent at the time, and his wife had a claim against him for moneys advanced. He received in Sarnia from the insurance company in Montreal two unaccepted cheques drawn on banks in Montreal, payable to his order, for \$1,636, the amount of the loss, and endorsed these cheques in blank, and either handed them to his wife, or to mortgagees of her land, the amount being applied in reduction of the mortgage debt.

¹ *Ontario Appeal Reports.*

² *An Act respecting Assignments and Preferences by Insolvent Persons.*

The action was tried at Toronto, on the 18th of September, 1895, before Meredith, J., who gave judgment in favor of the plaintiffs in respect of one conveyance and in other respects dismissed the action.

Both parties appealed to the Common Pleas Division and the defendants' appeal was allowed, the action being dismissed.

The plaintiffs then appealed to this Court from the judgment of the Common Pleas Division, so far as it affected the question of the insurance money. The appeal was argued before Hagarty, C.J.O., Burton, Osler and MacLennan, JJ.A., on the 16th and 17th of March, 1896, and allowed. We quote from the judgment as follows :

HAGARTY, C.J.O.:—As far as I can gather from the meagre and rather uncertain statements in the evidence, the insurance company in Montreal drew these cheques on their Montreal banks to Fraser's (the insured) order, and sent them to him at Sarnia soon after the fire; that he indorsed them to his wife and she took them to the Lambton Loan Company, and handed them in there to be applied for or on account of her mortgage to them. She became her husband's creditor by raising money to help him on the security of property which she had acquired from him some time before when he was in good circumstances and in a position to make a voluntary conveyance.

It appears that the cheques were ultimately duly paid to the legal holders thereof, whoever they may have been.

The question is, whether under the statute this was "a payment of money to a creditor" by the insolvent.

I feel great difficulty in adopting the view of the Court below in favor of holding that it is. The Divisional Court adopted the judgment of the Queen's Bench Division in the case of *Armstrong v. Hemstreet*, 22 O.R. 336.

The facts there differ from those before us, as expressed in the head note: "The handing by a debtor to his creditor of the cheque of a third person on a bank in the place where the creditor lives, the maker of the cheque having funds there to meet it, is 'a payment of money to a creditor' within the Act."

The underwriters' cheques on the bank in Montreal, were indorsed by the debtor to his creditor and wife. She gets them accepted by the loan company as so much paid on her mortgage held by them. It is clear that if the debtor had merely the note of the underwriters on demand, he could not transfer that to his creditor; or if he received their authority to draw on them at sight or otherwise for the insurance money, I do not think he could indorse the draft (payable to his order) to the

creditor and call it a payment of money under the statute. Even his cheque drawn on the underwriters' bank by arrangement with them for the amount of insurance moneys in favor of the creditor, though ultimately paid by the then holder in Montreal, would be at law a bill of exchange as declared by section 72 of the Bills of Exchange Act of 1890, declaratory of the law.

Section 53 also declares the law to be that a bill of itself does not operate as an assignment of funds in the hands of the drawee.

Our Act avoids all transfers by an insolvent of bills, bonds, notes, securities, etc. The word "cheque" is not mentioned. Nor in the exempting clause is any wider meaning given to the words "any payment of money to a creditor" than there tersely expressed.

It would seem to me to be more consistent with a proper interpretation of the Act to avoid preferential dealings by an insolvent, to hold that cheques such as those in the present case fell under the words "bills or other securities for money," than to widen the protection under the words "payment of money."

I think we must take the word "money" in its ordinary sense. There are many authorities as to its construction in wills where it is generally strictly confined to its primary meaning: see Theobald's Law of Wills, 4th ed., p. 158 *et seq.*, though capable of expansion by the other terms or disposition of the will.

Here it appears to me used by the legislature in a limited sense. What this insolvent handed over to his creditor was certainly not money in any meaning of the word—nothing used to represent cash, or as a current substitute for cash or money so called; and I think we may feel well satisfied that the framers of an Act levelled against preferences could not have intended to protect the transaction before us as a payment of money.

It does not weigh with me that the debtor might have possibly brought the case nearer the literal words of the Act by discounting these Montreal cheques with a banker, and then handing the cash proceeds to his wife. It is sufficient to say that such a course was not taken.

MACLENNAN, J.A.:—The cheque of a third person is a chattel, it is a bill, it is a security, the property of the debtor. If it is not paid it is a debt due to the payee from the drawer, it is a chattel, a bill, a security of the payee.

Therefore, I think a transfer of a cheque of a third person is not a payment of money. It is a transfer of a security, which does not become payment until presented and honored by the bank. The money in the bank in that case, and until the time of payment, is not the debtor's money, and never becomes his if he transfers the cheque.

I think, therefore, the transfer of these cheques to the mortgagees of the wife, even although it may have been with her knowledge and consent, was a transfer forbidden by the Act, and void against the husband's creditors. But the cheques have been paid, and the further question is whether the proceeds can be followed, and if so, how. I think the application of the cheques towards payment of a mortgage on the wife's land is within the principle of *Jackson v. Bowman*, 14 Gr. 156. In that case a debtor laid out money when insolvent in buildings and improvements on land belonging to his wife, and it was held that the creditor was entitled to a charge on the wife's land to the extent of the expenditure. I see no difference in principle between expenditure in buildings and expenditure in or towards paying off a mortgage, and the plaintiffs are, therefore, in my opinion, entitled to a charge upon the lands of the wife in the present case to the extent to which it was relieved from the mortgage by the insurance cheques.

QUEEN'S BENCH DIVISION, ONTARIO

Beattie v. Dinnick*

A promise made by a third person to a creditor to pay or to see paid the debt due to him by his debtor, whether such promise is absolute or conditional, is a promise to answer for the debt of another, and is within the 4th section of the Statute of Frauds.

The plaintiff was the holder of a promissory note of an incorporated company of which the defendant was president, and was pressing for payment when the defendant verbally promised to see him paid if he would forbear to sue and would renew :—

Held, that this was not a promise of indemnity, but of guarantee, and therefore required by section 4 of the Statute of Frauds to be in writing.

The plaintiff held a note of a company of which the defendant was president, which was unpaid at maturity. When the plaintiff pressed for payment, the defendant, in consideration of the plaintiff refraining from suing the note and renewing it again, promised that he would see the plaintiff paid. The renewal note went to default, and the plaintiff brought action to recover from the defendant on his undertaking.

The arrangement between the parties was stated by a witness in the following terms :

“ Mr. Beattie came down and threatened he would sue the company for his account ; it had gone long enough ; he could not

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let it go any longer, he would sue it. Mr. Dinnick said not to sue the company; he would see he was paid every cent; to take another note and help the company out of the difficulty. Mr. Beattie said he would do it if he would give him his word he would be paid it, and he said he would. Mr. Beattie turned around to me and said, 'you are a witness to that,' and I said 'yes.'"

At the trial Falconbridge, J., delivered judgment as follows:

There is a recent case which goes a long way to destroy the application of the Statute of Frauds to the present case. This is a case in which there can only be one finding on the question of fact—because Mr. Beattie swears—and is corroborated by Mr. Roberts—to a promise in some form of words; therefore, on the evidence which must govern a jury and govern me, I find the issue of fact in favor of the plaintiff.

The only remaining question is as to the effect of the Statute of Frauds, which says no action can be brought against a party on a promise to answer for the debt or default or mis-carriage of another, unless the representation or assurance be made in writing, signed by the party to be charged therewith. The effect of that statute has been very much impaired by the case which I have mentioned. I find here that this is an independent promise; it is not a guarantee. The debt had been already incurred, and the plaintiff forbore to sue the company in consideration of the defendant's promise. I give judgment for plaintiff, both on the note and on the account.

This decision was reversed in the Divisional Court, Armour, C.J., and Street, J. The judgment of the Court was delivered by Street, J.:

The question as to whether the promise was one which can be supported as a binding one, notwithstanding the 4th section of the Statute of Frauds, was treated before us by counsel for the plaintiff as depending simply upon the question of its form, that is to say, upon whether it was a conditional promise to pay only in case the company should not do so, in which event it was admitted the statute would apply; or an absolute promise to pay without any condition at all, in which event it was assumed the statute would not apply. The judgment appears, as I understand it, to proceed upon the same view of the law, and the Judge, finding as a fact that the promise was an absolute and not a conditional one, proceeded to give judgment against the defendant, treating the case as being without the statute.

With great respect, I am unable to agree that this is the result of the authorities or the meaning of the fourth section of the Statute of Frauds as interpreted by them. The statute requires that a special promise to answer for the debt, etc., of

another shall be in writing : a promise made by a third party to a creditor to pay or to see paid the debt due him by his debtor, is a promise to answer the debt of the debtor, whether the promise is conditional or unconditional; and I am unable to find any case in which the contrary has been held.

The judgment then fully discusses *Guild v. Conrad* (2 Q.B. 885), the case chiefly relied on by the plaintiff to establish the contrary rule, *i.e.*, that an *unconditional* promise to pay the debt of another was not affected by the statute, while a promise to pay only upon default of the original debtor was within it : and holds that the only question considered in that case was whether the promise was a promise to pay if the debtor should not do so—in which event the statute would apply, or a promise to *indemnify* the plaintiff against his acceptance of the bill—in which event the promise would not be within the statute. It then proceeds :

The distinction between a promise to pay a debt already due a creditor, or one to be created upon the faith of the promise on the one hand ; and a promise that if the promisee will incur a liability, the promissor will indemnify him against it on the other hand, is not at all a shadowy one, and when the terms of the statute and the interpretation placed upon it by undisputed cases are considered, the reasons for holding the latter class of promises to be unaffected by it, while holding the former class to be within it, seem to be unanswerable.

The promise intended by the statute is therefore a promise made to a creditor or intending creditor in that capacity. But where the promise is made to one who is not a creditor, that if he will incur a liability to some third person, the promissor will indemnify him against it, it is not made to him as a creditor at all, but rather in the character which he is asked to assume of debtor to the third person.

As the present case clearly falls within the first of these classes and entirely outside the second of them ; in other words, because the defendant's promise was a guarantee and not an indemnity, it remains unaffected by *Guild & Co. v. Conrad*.

A verbal promise made to the creditor to pay the debt of another does not, however, in all cases come within the statute. In order that the statute shall be applicable it is requisite, first, that the original party shall remain liable, and, second, that there shall be no liability on the part of the promissor excepting that which is created by the promise relied on. Tried by this test the present case came within the statute.

The judgment then deals with the principles upon which the requirements mentioned are based :

The ground for the requirement, that in order to bring a promise within the statute, there must be an absence of any antecedent liability on the part of the promissor is this: the statute requires that a special promise to answer for the debt, etc., of *another* shall be in writing ; it does not require that a promise to answer for a debt which is not the debt of another, but is partly the debt of the promissor, shall be in writing.

The ground for the requirement, that in order to bring a promise within the statute, there must be an absence of antecedent liability on the part of the promissor's property, is not so satisfactory, but the rule seems clearly established. It is thus stated by Cockburn, C.J., in *Fitzgerald v. Dressler*, 7 C.B.N.S. 374, at p. 392: "If there be something more than a mere undertaking to pay the debt of another, as, where the property in consideration of the giving up of which the party enters into the undertaking is in point of fact his own, or is property in which he has some interest, the case is not within the provision of the statute, which was intended to apply to the case of an undertaking to answer for the debt, default or miscarriage of another, where the person making the promise has himself no interest in the property which is the subject of the undertaking.

The Court found that there was no benefit or advantage accruing immediately and directly to the defendant which would take the case beyond the operation of the statute, and therefore that the promise not having been in writing was of no effect.

DIVISIONAL COURT, H.C.J. ONTARIO

Kinnard v. Tewsley et al.*

Where a promissory note commencing "I promise to pay," and signed by two makers, was afterwards discounted by the plaintiff for the holder thereof, the money being paid to him on his agreeing to become responsible for the payment of the note, he signing his name under those of the makers :

Held, per Boyd, C., and Ferguson, J., that the liability of the person so signing was that of surety, and that the validity of the note was not affected by the manner in which it was signed.

Per Meredith, J. : He was liable as maker of a new note.

This was an action to recover \$254 upon a note made by John and Richard Tewsley, payable to bearer and delivered for value to Henry W. Dodge, one of the defendants. Dodge discounted the note with the plaintiff, agreeing with the latter,

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however, to become responsible for its payment. As Dodge could not write, the plaintiff wrote his name on the note underneath the signatures of the makers and Dodge attached his mark. The latter stated that he had been asked to "endorse" the note, but on cross-examination said that he had put his name to the note for the purpose of getting the money on it, and that neither the words "maker, guarantor nor endorser" were used.

Upon suit being instituted he took objection to the plaintiff's recovery, on the following grounds:

1. That the note was made, issued and completed prior to the negotiation with the plaintiff.
2. That the defendant Dodge's name was signed in the capacity or character of an endorser, and that no proof was given of presentment or notice of dishonor, which an endorser would be entitled to in order to hold him responsible.
3. That if the defendant Dodge signed in the character of maker, the note would be void, on the ground of this being a material alteration of the note.

The case was tried before the Third Division Court of Haldimand, and judgment rendered in favor of the plaintiff. An appeal from this judgment was argued before a Divisional Court composed of Boyd, C., Ferguson and Meredith, JJ., and dismissed.

BOYD, C.: The fair result of the evidence is, that the note was signed by Dodge as surety or guarantor on condition of getting the note discounted by the plaintiff, that is, after the making of the note, there was a new transaction for value by which Dodge became liable, not as endorser, but as guarantor of the note. There is no English authority to show that the addition of a signature by one as surety to a note previously signed by the makers, vitiates the instrument as being a material alteration.

MEREDITH, J.: Any material alteration of a note or bill after it has been issued, without the assent of all parties liable on it, avoids it except as against a person who made or assented to the alteration.

Looking upon this defendant as a maker of the note, it is not to be avoided as against him, because he made it. He cannot take advantage of his own wrong. The note is drawn in as appropriate words for one maker as for several—"I promise to pay;" and so this case is different from that of the *Ellesmere Brewing Co. v. Cooper*.

I cannot look upon the defendant as a mere endorser. He did not so sign. He signed as a maker, and the witness signed as if a witness to the signatures of all the makers, including

him, alike. It is, of course open to the parties to show that, as between them, one was a surety only for the other, and the holder would be affected by notice of the fact ; but that does not make the surety any less a maker of the note ; if sued upon the writing, he would be sued as maker or endorser only. It seems to me, in the facts of this case, this defendant can occupy but one of two positions, he is a maker or an endorser of the note. As a party to the note, assuming liability for it, he must occupy one or the other position.

I think we must treat this defendant as the maker of a valid note, there being no Stamp Act in force here preventing effect being given to it as a new note.

SUPERIOR COURT, QUEBEC

Légaré v. Arcaud

Presentment of a cheque for payment—Diligence. Effect of the holder accepting the bank's certification of a cheque.

The defendant, a money broker, warned the plaintiff, one of his customers, that in consequence of a run upon the bank whereat the latter kept his account, it might suspend payment, and that it would be prudent for him to withdraw his deposit without delay, whereupon the plaintiff handed the defendant his cheque for the amount and took the defendant's *bon* in return. The cheque was immediately sent to the bank for acceptance and was duly certified, but was only presented for payment on the following day. In the meantime the bank suspended. The defendant tendered the return of the cheque to the plaintiff, which the latter refused to accept, and brought action to recover on the *bon*.

The Court held that the particular facts of the case required from the defendant special vigilance and celerity, and that the cheque had not, under the circumstances, been presented for payment within "a reasonable time" within the meaning of section 73 of the Bills of Exchange Act, 1890. When the defendant procured the bank's acceptance to the cheque the plaintiff *ipso facto* ceased to be a creditor of the bank for the money against which the said cheque was drawn, and the defendant as holder took his place as such creditor, and as between plaintiff and defendant the cheque had thereby accomplished the purpose for which it was drawn, and the plaintiff had no further power over it or liability in connection therewith, and such cheque could not be set up against his right to recover from the defendant on the *bon*.

UNREVISED TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

<i>Year ending 30th June—</i>	1895		1896	
Free	\$42,432		\$38,112	
Dutiable.....	58,549		67,250	
	<u>\$100,981</u>		<u>\$105,362</u>	
Bullion and Coin.....	4,575	\$105,556	5,225	\$110,587

EXPORTS

<i>Year ending 30th June—</i>				
Products of the mine	\$ 6,992		\$ 8,067	
" Fisheries.....	10,798		11,170	
" Forest	23,977		27,080	
Animals and their produce.....	34,712		36,588	
Agricultural produce	15,671		14,105	
Manufactures	7,639		9,206	
Miscellaneous	153		190	
	<u>\$99,946</u>		<u>\$106,409</u>	
Coin and Bullion.....	4,276	\$104,222	4,695	\$118,140

SUMMARY (in dollars)

<i>For the year ending June—</i>	1895	1896
Total imports other than bullion and coin....	\$100,981,415	\$105,362,000
Total exports other than bullion and coin	99,946,428	106,409,000
Excess	(imp)\$1,034,987	(Exp)\$1,047,000
Net imports of bullion and coin	299,184	530,000

IMPORTS

<i>Month of July—</i>				
Free	\$ 3,234		\$ 3,621	
Dutiable.....	5,084		5,375	
	<u>\$ 8,318</u>		<u>\$ 8,996</u>	
Bullion and Coin.....	235	\$ 8,554	1,273	\$10,270

IMPORTS (Cont'd)

<i>Month of August—</i>	1895	1896
Free	\$ 3,345	\$ 3,633
Dutiable.....	6,067	6,374
	<u>\$9,412</u>	<u>\$10,007</u>
Coin and Bullion.....	1,616	1,077
	<u>\$11,028</u>	<u>\$11,084</u>
Total for two months.....	<u>\$19,582</u>	<u>\$ 21,354</u>

EXPORTS

<i>Month of July—</i>	1895	1896
Products of the mine.....	\$ 762	\$ 747
" Fisheries.....	1,387	945
" Forest	3,915	4,327
Animals and their produce	4,245	3,301
Agricultural produce	430	875
Manufactures	777	731
Miscellaneous.....	0	12
	<u>\$11,548</u>	<u>\$10,941</u>
Bullion and Coin	75	860
	<u>\$11,623</u>	<u>\$11,801</u>

Month of August—

Products of the mine	\$ 595	\$ 823
" Fisheries	969	709
" Forest	3,647	3,916
Animals and their produce.....	5,316	4,072
Agricultural produce	512	769
Manufactures	700	798
Miscellaneous	24	16
	<u>\$11,765</u>	<u>\$11,105</u>
Bullion and Coin.....	64	1,185
	<u>\$11,829</u>	<u>\$12,290</u>
Total for two months.....	<u>\$23,452</u>	<u>\$24,091</u>

SUMMARY (in dollars)

<i>For two months, July and August.</i>	1895	1896
Total imports other than bullion and coin..	\$17,741,307	\$19,003,000
Total exports " " "	23 314,201	22,046,000
Excess of exports.....	5,572,894	3,043,000
Net imports of bullion and coin	1,712,011	305,000

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, St. John
Winnipeg and St. John

(000 omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG		St. John
	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	
September	\$ 46,855	\$ 45,251	\$ 20,078	\$ 22,543	\$ 5,062	\$ 4,694	\$ 2,686	\$ 2,706	\$ 3,975	\$ 4,008	1896
October ..	55,730	53,298	25,750	28,437	5,452	5,613	3,155	3,402	6,786	7,911	\$
November	51,838	54,397	25,214	28,633	5,021	5,444	3,092	3,363	6,607	8,503	
December	47,351	54,138	25,700	33,728	4,874	5,462	2,834	3,224	5,199	6,641	
January ..	48,376	46,663	27,961	33,095	4,997	5,705	2,831	3,227	4,067	4,977	
February	37,793	38,123	20,493	28,544	4,118	4,709	2,461	2,686	2,721	4,052	
March ...	42,464	36,643	22,332	26,087	4,174	4,357	2,462	2,516	2,929	4,286	
April	41,905	37,589	21,960	26,111	4,413	4,790	2,610	2,729	3,093	4,032	
May	51,969	44,324	25,668	27,796	4,964	5,064	2,704	2,733	4,156	4,246	2,413
June	52,353	43,129	26,772	28,384	5,090	4,550	2,913	2,775	3,865	4,094	2,418
July	51,902	44,796	26,838	30,394	5,739	5,467	2,972	2,847	1,038	4,961	2,879
August ..	49,314	41,574	23,235	25,128	6,264	5,556	2,726	2,367	3,937	4,646	2,602
	577,850	539,925	292,031	338,980	60,168	61,411	33,446	32,575	51,373	62,357	10,312

*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.

STATEMENT OF BANKS acting under Dominion Government charter for the months of June, July and August, 1896, and comparison with August, 1895:

LIABILITIES

	30th June, 1896	31st July, 1896	31st Aug., 1896	31st Aug., 1895
Capital authorized				
Capital paid up	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685
Reserve Fund	62,198,413	62,220,759	62,220,759	61,704,548
	<u>26,348,799</u>	<u>26,348,799</u>	<u>26,348,799</u>	<u>27,083,799</u>
Notes in circulation	\$ 30,336,844	\$ 29,575,380	\$ 31,509,154	\$ 30,737,622
Dominion and Provincial Government deposits.....	5,845,834	8,081,598	8,466,728	8,395,441
Public deposits on demand	62,934,531	64,948,908	65,264,335	67,386,516
Public deposits after notice	120,835,461	122,100,074	123,151,850	115,716,520
Bank loans or deposits from other banks secured	5,000	12,232	5,000	1,051,722
Bank loans or deposits from other banks unsecured	2,494,116	2,833,167	3,234,144	2,780,631
Due other banks in Canada in daily exchanges.....	185,103	107,956	83,411	144,655
Due other banks in foreign countries	178,877	153,221	200,157	206,473
Due other banks in Great Britain.....	5,098,596	3,317,168	2,166,101	4,027,049
Other liabilities.....	423,786	359,316	310,143	294,362
Total liabilities.....	<u>\$228,338,219</u>	<u>\$231,489,104</u>	<u>\$234,391,104</u>	<u>\$230,741,064</u>

ASSETS

Specie.....	\$ 7,857,220	\$ 8,263,632	\$ 8,329,295	\$ 7,375,298
Dominion notes.....	14,008,577	14,297,764	15,419,799	15,180,345
Deposits to secure note circulation.....	1,841,270	1,846,160	1,846,340	1,814,644
Notes and cheques of other banks.....	7,733,952	6,383,296	7,280,493	6,135,940
Loans to other banks secured.....	5,000	.....	.....	464,760
Deposits made with other banks.....	3,303,727	3,566,556	3,950,753	3,391,456
Due from other banks in Canada in daily exchanges.....	200,110	143,452	135,619	173,182
Due from other banks in foreign countries.....	18,484,973	16,713,630	15,299,453	26,565,856
Due from other banks in Great Britain.....	3,599,625	8,594,690	10,747,400	6,339,165
Dominion Government debentures or stock.....	3,035,151	3,036,532	3,037,540	2,687,044
Public municipal and railway securities.....	20,312,596	20,892,207	21,215,102	18,617,571
Call loans on bonds and stocks.....	13,024,606	12,652,647	13,218,553	16,766,317
Current loans and discounts.....	208,014,178	208,759,940	207,410,954	197,526,285
Loans to Dominion and Provincial Governments.....	702,646	279,058	462,345	445,922
Overdue debts.....	3,468,517	3,472,060	3,661,064	4,324,234
Real estate.....	2,081,519	2,045,390	2,072,476	1,134,046
Mortgages on real estate sold.....	566,407	588,655	571,576	621,721
Bank premises.....	5,614,797	5,619,142	5,627,639	5,636,046
Other assets.....	2,267,644	2,427,622	2,448,863	2,241,162
Total assets.....	<u>\$316,122,706</u>	<u>\$319,582,621</u>	<u>\$322,735,463</u>	<u>\$317,441,375</u>
Average amount of specie held during the month.....	\$ 8,025,058	\$ 8,085,731	\$ 8,501,135	\$ 7,499,086
Average Dominion notes held during the month.....	13,619,599	14,369,939	15,037,447	12,229,776
Loans to directors or their firms.....	7,522,302	7,242,578	7,106,713	7,687,676
Greatest amount of notes in circulation during month.....	30,964,363	31,172,494	31,900,414	31,781,850

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JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

JANUARY—1897

THE EARLY HISTORY OF CANADIAN BANKING

II

CURRENCY AND EXCHANGE AFTER THE CONQUEST

HAVING seen, in the case of our banking system, whence came the sapling which has grown into the present wide-spreading tree, we have next to enquire as to the nature of the soil into which it was transplanted, the streams of commerce which were to water it, and the social and political atmosphere in which it was to flourish. Especially do we require to know in what manner and to what extent the services rendered by banks had been performed before their introduction. Banking facilities do not burst upon the business community as a quite new and developed service ; they simply afford an easier, more effective and generally less costly manner of rendering services which are already performed in more or less primitive fashions.

The period between the Conquest and the appearance of the first banks in Canada has been, from an economic stand-

point, the most obscure in the history of the country. To the student of economic history it is almost entirely virgin ground. It is only, indeed, since the valuable collection of documents and papers brought together in the Canadian Archives Office has been made available to the student of our country's history, that a continuous and sure-footed narrative in this department has been at all possible. The other sources of information, valuable though they are on many points, are yet very fragmentary, and require for their full understanding the light which these voluminous records throw upon them. I may be pardoned, therefore, if, in this new field, I give in some detail the prevailing ideas, methods and conditions of exchange which preceded and prepared the way for the introduction of banking.

Practically all of the Canadian trade with the outside world, being mainly that with old and new England, and much the greater part of the wholesale domestic trade as well, passed, at the time of the Conquest, into the hands of the English traders. It thus took on quite a different complexion, and was conducted on quite different principles from those which prevailed under the French regime. Hence, though the monetary and general economic experience of the French Canadians under French rule, naturally continued to have much influence upon their economic habits, as well as upon their attitude towards the English methods of trade and exchange, yet it is not necessary to go behind the period of the Conquest in seeking a starting point for our narrative.

The chief feature of interest to us in connection with the passing of French power in Canada, was the enormous issue of paper currency during the closing years of French rule. The magnificent scale upon which corruption flourished in that small community, and the exhaustion of the French treasury, left an immense amount of paper currency, or bills of exchange obtained for it, unpaid, and the cession of the colony to Britain left little hope of the paper being redeemed. For some time before the Conquest, practically nothing but paper currency was in circulation; while after the Conquest, and before the extracting of a promise from France to make a partial redemption of its obligations, the paper money was almost worthless, and was not receivable in trade by the British merchants. It

might seem at first sight, then, that the new British administration found in Canada a country almost entirely without a circulating medium. When, however, we look into the matter more closely, we find that when the last great issue of paper money began, though the metallic money in circulation rapidly vanished, yet very little of it left the country. It simply disappeared into the stockings and strong boxes which were kept by the people, even in the narrowest of circumstances, in accordance with a well known national characteristic of Frenchmen. The same fate befell the considerable quantities of specie which accompanied the officers and troops coming to Canada under Montcalm. Soon after their arrival they complained that nothing but paper money was to be found in circulation. When, therefore, the paper money suddenly became practically worthless at the Conquest, though of course many of its possessors were greatly impoverished, yet the people generally were not entirely ruined, nor was the country quite deprived of a circulating medium. Metallic money began to come out of hiding, and the English merchants drove quite a brisk trade, even though they declined to take the paper money until there was some prospect of its being of value.

That the people of Canada were in possession of a large quantity of metallic money immediately after the ceding of the country to Britain, and that the money was French, and not British, is evident from the two first ordinances passed by the British government for the regulation of the Canadian currency. The first was passed in 1764 and the second in 1766; in both the Louis d'ors and the French crowns are rated somewhat above their normal value, with the express intention of retaining them in the colony as the chief features of its currency. That the French population generally still retained under British rule their characteristic habit of hoarding specie, is shown in an account of the colony given by an observant American revolutionist, Charles Carroll, who was in Canada in 1775-6. Speaking of the French Canadian farmers he says: "It is conjectured that the farmers in Canada cannot be possessed of less than one million pounds sterling in specie; they hoard up their money to portion their children; they neither let it out at interest nor expend it in the purchase of lands."

This peculiarity of the French Canadian is well worthy of note, as it had a marked influence upon the whole economic character of Lower Canada, and was a very important factor in connection with the beginning of Canadian banking.

We pass over the whole of the interesting negotiations and regulations connected with the collection, registration, long delayed, and in the end very partial redemption of the French paper money, which, as necessitated by the conditions of payment, at once passed out of circulation in the colony.

Among those who were the chief sufferers from the vanishing value of the paper money, were the Canadian noblesse, or seigneurs, and the leading French merchants, or purveyors for the troops. The aristocracy had also suffered from the curtailment of their feudal privileges, and the loss of the numerous offices and perquisites which they enjoyed under the French government, and which caused the maintenance of the colony to be such a heavy drain upon France. This aristocratic element was, naturally enough, the class with which the English governors almost exclusively associated, and from whom they obtained their ideas of the country, the people, and the proper administration of the colony. How fatally mistaken these ideas were, after events clearly proved.

The English element which followed the Conquest consisted almost entirely of traders or merchants, mainly from the other English colonies to the south, though many of them were originally from Britain, several of them from that Highland emigration to America which followed the disaster of Culloden. These men were not slothful in business, but fervent in spirit, mainly serving themselves. The slipshod, easy-going, antiquated business methods and corresponding law of the French Canadians did not suit these men who naturally believed, and with reason as the future was to prove, that the advantages of English commerce could only be secured under English methods and English laws. They were not by any means all of one class, for while some were certainly not over-scrupulous as to their methods, others were exceptionally able and upright men. Unfortunately for themselves, they were all more or less tainted with the spirit of British freedom and independence, and had an obstinate conviction that the British system of law and

government was in every respect superior to all others, and was the proper system to be introduced into British dominions, taking little account of any practical difficulties in the way. These ideas did not accord well with the opinions of men of purely military training and experience, suddenly converted into civil governors. The governors had to admit, indeed, that the Canadian colony owed its rapid recovery and flourishing trade almost entirely to the English merchants, yet they found them extremely troublesome to get on with, as they were always pestering the government for innovations and improvements in the administration. How much more attractive, to governors with military and aristocratic leanings, were the Canadian noblesse, with their polite flattery, their military training, and their feudal abhorrence of trade, enterprise, popular freedom and independence. How extremely natural that eighteenth century English governors should gravitate to the side of the Frenchmen, with their admirable tastes, and their highly proper ideas of the majesty of the governor. Such men were surely to be encouraged and supported. Did not, in fact, a 'dignified and well ordered government owe them a living?

On June 7th, 1762, while Canada was still under military rule, and its ultimate possession, though fairly certain, yet still unfixed, Governor Murray sends to Egremont, the Secretary of State, a lengthy report on the state of the country, which is of considerable interest for our present inquiry, on account of the plan for a provincial currency which it contains, and which incidentally throws considerable light on several associated points.

The Canadians, he says, labor under difficulties for want of cash, and hence the English merchants find some difficulty in disposing of their goods. He wishes some means could be devised for obtaining a circulating medium to enable the Canadians to stock their lands, and the English merchants to dispose of their goods. It would be a very good thing for both Canada and Britain. It will be observed that the governor is quite unconscious of the radical difference between capital and a circulating medium. With this end in view he has a plan to submit. He proposes to put in circulation a certain sum in paper bills,

say £100,000 to start with. However, as the Canadians are naturally rather shy of paper bills, after their late experience, it will be necessary to adopt special measures to get them into circulation, and to this end he would suggest :

First. That his scheme should receive the sanction of the home Government.

Second. As it would be a popular act to assist the people in rebuilding their church, the first paper issued might be used for this purpose. This would enlist the interest of the clergy and give credit to the bills. Then some of the bills might be used as loans to the people of Quebec, to assist them in rebuilding their houses and improving their lands, security being taken.

Third. The British merchants should be got to consent to receive this money in return for their goods, and for this purpose the duties on imports should be made receivable in this paper, either in whole or in part.

Fourth. A tax should be levied and the proceeds set apart for the gradual redemption of the paper money. This might take the form of a tax of half a dollar upon each house in the province, while the houses of the seigneurs, gentry, merchants and publicans, and all those in the towns, might be taxed one dollar each. The revenue to be thus derived he estimates at £3,000 annually, reckoning the dollar at five shillings. After a time the tax might be increased or some other taxes added.

As soon as this currency is well established it might be used for every purpose of government, such as repairing old and making new fortifications, etc. Thus, he concludes, surveying his plan with sprightly confidence, Canada could be made to flourish without any aid from the mother country such as the other colonies in America constantly require.

No one, I fancy, with any sense of humor would have the temerity to attempt a criticism of such a financial work of art as this.

The following year, 1763, when the fate of the country was settled and there was some prospect of a partial redemption of the Canadian paper money, Murray again brings forward his self-acting scheme for Canadian prosperity. Now, however, the new issue of paper money is to be given to the holders of the old paper money, at a certain proportion of its face value. A

general tax is still to be levied in order to provide a sinking fund to retire the paper in time, though fresh paper is to be immediately issued to replace the old, in its joint function of circulating medium and working capital. In these schemes the simple directness of the relation of means and end, the delightful inconsequence between the objects for which the money was to be issued and the sources from which the redemption fund was to be drawn, are strongly suggestive of the turn of mind and financial experience of a military man or a populist.

Nevertheless, it is quite evident that Murray was considerably influenced in his views as to the necessity for the government coming to the assistance of the needy French Canadians, by his intercourse with the Canadian aristocracy. As I have already indicated, it was the most natural thing in the world, considering their historic traditions and personal experience, that the distressed Canadian nobility, and the governors on their behalf, should be most anxious to induce the British government to provide a sufficient number of offices, military if possible, which they might fill with becoming dignity to the government and profit to themselves. As a sample of their views on this subject we may take the memoir dated May 1st, 1765, prepared by the principal French citizens, setting forth the present state and abilities of the province. They contrast the flourishing state of the colony under French rule, from 1749 to 1755, with the disastrous condition of the country since the peace. They attribute this decline to the lack of sufficiently large expenditure in the colony by the British government. The remedy proposed for this dangerous state of things consists of two alternatives, namely, that Britain should either support a sufficiently large standing army in Canada, or build frigates and other vessels at an annual outlay of 3,000,000 livres, to be issued in bills or paper money on the credit of the government, and payable in London. In other words, they advocate a complete restoration of the French system of administering the colony. The first alternative was evidently the one most to their liking, and many representations in its favor were forwarded to the home government by Murray and Carleton, and we know how the latter employed it in connection with the Quebec Act, and how, when the critical moment arrived, he

found himself, to his great astonishment, with a fine staff of officers and no men.

At the same time that this memoir appeared, representing the decaying state of the province from the point of view of the French Canadian aristocracy, other observers were confirming it, in a manner, by contrasting the rapidly improving condition of the French Canadian farmers, with the poverty and declining state of the Canadian seigneurs. The statistics of the colonial exports for this period also indicate a great improvement in the condition of the common people.

The British government at this time was too much occupied in its struggle with "Wilkes and liberty," and in laying the foundation for future discontents at home and abroad, to give much heed to the condition of the distressed nobility of Canada, or paper money schemes for their relief.

After Murray's departure, in June, 1766, to answer the charges preferred against him, chiefly by merchants of London and Quebec, the command devolved on P. Æmilius Irving, pending the arrival of Sir Guy Carleton. One of his first duties was the framing of a new ordinance on the currency, in which, as he observes in his report to the Board of Trade, the Louis d'ors and the French crowns are still overrated in order to retain them in the country as has hitherto been found successful. He adds that it is now desirable that a quantity of small currency should be sent into the province.

The reason for the scarcity of the small currency is not far to seek. The overrating of the larger French coins already in the province, and of the Portuguese Johannes and moidores, which formed the chief elements of the specie introduced by the agents of the British government, caused values to adjust themselves to their standard. This resulted in a corresponding underrating of the smaller silver coins, which, in consequence, gradually disappeared from the country. When, owing to the great scarcity of fractional silver and even of copper, the merchants found themselves unable to make change for their customers, some of them resorted to the plan of issuing small paper due-bills which were to be received in future purchases of goods at their shops. Once established in this usage, the due-bills began to pass from hand to hand in other exchanges,

and thus they afforded practical relief from the difficulties of the situation. The right to issue this fractional paper not being confined to any one in particular, it was issued by any merchant or trader whose credit would enable him to do so, and much confusion must have resulted. Still, it became a firmly established factor in the exchange mechanism of the country, and, in various forms, it survived for many years both in Lower and Upper Canada. The range of circulation and the credit of the bills depended entirely upon the reputed credit of the person issuing them. From the fact that they originated in Lower Canada, and that they were generally introduced with the words, "*Bon pour*," etc., they came to be universally designated *bons*. We shall have frequent occasion to note their appearance and influence in the course of the development of our subject. Here we may simply observe that the use of the *bons* tended to prepare the country people for the appearance of bank notes; at the same time the inevitable difficulties connected with them afforded a basis for several sharp criticisms upon the issues of the first banks.

The scarcity of change continuing, and the system of *bons* becoming general, with obvious advantage to the merchants, it occurred to an enterprising auctioneer of Quebec, named William Titchbourne, that a fortune awaited the man who could obtain a monopoly of the right to issue these small promises to pay. No doubt the general advantage which would result from uniformity of issue, and the consequent avoidance of confusion, seemed to him a strong argument in favour of his scheme. At any rate he decided to apply to the governor-in-council for an exclusive charter. Thus we find in the minutes of Council of August 27th, 1767, a record to the effect that there was read the petition of William Titchbourne, auctioneer, praying for the exclusive privilege to issue promissory notes for small sums by way of change for silver and to supply the want of copper coins. This is undoubtedly the first attempt to obtain a bank charter in Canada. The council, however, dismissed the petition; it was, indeed, beyond their authority to grant it. It was, strictly speaking, the duty of the civil government to put a stop to the circulation of the paper then in use. But experience was showing that the laws and special ordi-

nances then in force for the regulation of the currency, and which had been mostly determined in Britain, were not workable.

On August 17th, 1772, Gramahé, who was administering the government in the absence of Carleton, sends to Hillsborough quite a full and interesting report on the subject of the currency. He confesses that he had found it necessary, in the end, to leave the adjustment of the values of the different larger coins, especially the Portuguese Joes and half-Joes, as they were called, to be settled by the Quebec and Montreal merchants between themselves. The Montreal merchants, we find, were able to turn the scale in favor of their usage, which, in turn, was determined by that of the English colonies to the south, with which the Montreal merchants were always most intimately connected, and from whence both the government and the merchants of Canada obtained their supplies of specie.

In the same despatch Gramahé refers to the continued high price of silver, which, as it circulated in Canada by tale and not by weight, and was underrated as compared with the gold coins, was still the more profitable metal to export to the other colonies in payment for supplies. Referring to the lack of small silver for change, he says, "It is so very scarce that "government has been under the necessity of winking at "every little retailer's circulating paper bills of his own, some, "if not much of which must fall a dead loss to the public, "whenever they are cried down, or the issuers come to wind "up their affairs." He hopes that when the government here is fixed upon a permanent basis some method will be found to correct these evils. On Nov. 4th, Dartmouth, on behalf of the Board of Trade, replies to Gramahé, admitting that his leaving the determination of the values of the Portuguese coins to the practical arrangements of the Quebec and Montreal merchants, was the wisest thing to do under the circumstances. With reference to the scarcity of the silver coins, he says it is a difficulty to which Quebec, in its present commercial condition, must continue to be exposed; but nothing can be done until the colony has a more permanent constitution. Till then the circulation of foreign silver coin must be regulated by the provisions of the statute of Queen Anne.

Thus were the currency difficulties of the colony left for

the present to the practical adjustment of circumstances, and the colonial administration was virtually authorized to continue winking, with as little loss of dignity as possible, at the circulation of the *bons* until the government of the colony should be settled. The measure which was to have that sedative effect was the noted Quebec Act of 1774. But, much to the chagrin of its authors, that unfortunate measure had the very opposite result. It was the attempt to enforce this Act which revealed the utter misconception of the real condition of the country, and the needs and attitude of the general population, which Carleton, like his predecessor, had obtained from his almost exclusive association with the Canadian aristocracy, and his reliance upon their statements. This Act, also, by its intended effect upon the refractory colonies to the south, destroyed the last hope of reconciliation, and precipitated the general revolution. Instead, therefore, of the Canadian government proceeding to deal with such details as the currency, it found its hands full of quite other work. In 1775 communication with the southern colonies was cut off by a revolutionary army sent to intercept the expected invasion from Canada which Carleton and the English government had planned to follow the Quebec Act, and the anticipated enthusiasm which would be roused among the people of that province, on account of the restoration of the French system of government and civil law. But there was no invasion from Canada. The Quebec Act had indeed secured the enthusiastic support of the distressed nobility of that country, and the higher functionaries of the Church, but it had alienated the great mass of the French Canadian people, who regarded themselves as cruelly duped in being thrust back once more under the feudal power of their old oppressors. Hence, to his amazement, Carleton, instead of raising an enthusiastic army of French Canadians with which to suppress the rising in the English colonies, found himself unable to muster, with the utmost efforts of persuasion, threats, or inducements, a sufficient number to properly garrison the towns. Learning that Carleton was thus in process of being hoist with his own petard, the colonial efforts were changed from the defensive to the offensive. Canada was invaded and almost despaired of before the arrival of the English troops.

Thus for a time was the prosperity of Canada checked. But on this, as on several other occasions afterwards, the distress of England was to be the joy of Canada, until the Canadians came to be credited with including in their prayers joint petitions for a bountiful harvest, and a bloody war. Canada soon became the base of operations of a large British force, and the region from which supplies were drawn both for the forces in the country and for those engaged in the revolted colonies, as well as for the Indians of the west. It can easily be imagined then, that, with an excellent local market for almost everything which the country could produce, prosperity in its brightest form was once more smiling upon the province, and the French Canadian, as he stored away the precious coins, forgot the relapse from liberty which he and his country had suffered, and while for the most part himself refusing to fight, he was eager enough—for a consideration—to feed those who would.

During the period of interrupted intercourse with the other colonies, one of Carleton's despatches to Dartmouth, from Montreal, dated 7th June, 1776, throws considerable light on the intimate commercial and financial relations which normally existed with the southern colonies. After dealing with other interesting matters, he refers to the condition of the money supply. "Our communications with the other provinces being entirely stopped, we run the risk of being at a great loss for money, to defray the ordinary and extraordinary expenses the service here must be attended with, the money contractors as well as trade, at this time of the year, being used to procure large supplies of cash from New York and Philadelphia, with which places we have at present no intercourse; if £15,000 or £20,000 were sent here as soon as possible, it would be of great use to government, which must lose considerably by the present low course of exchange, likely to fall every day; could it be procured in dollars, and some part in small silver, the same would prove highly beneficial to this country, where that species has become extremely scarce."

Here, among other things, we have an indication of that three-cornered system of exchange, which, beginning immediately after the Conquest, has prevailed with modifications down to the present time. The form in which it existed at that time may be briefly sketched.

The general income of Canada was derived from two sources, namely, the exports to England or the other colonies, and the expenditure of the British government in the country. This was only partially offset by direct imports from England. A very large proportion of the Canadian imports came from the other colonies, being partly the product of these colonies, and partly imports from Britain or the East and West Indies. The Canadian claims on Britain were drawn in bills of exchange on London—those for exports by the merchants, those for government expenditure either by the governor or his representative, or, more commonly, by the resident agent of the money contractors, who were London bankers or brokers. After paying for the direct imports from England, the balance of the bills were sent to the colonial centres, such as Boston, New York and Philadelphia, partly to offset the imports from those and neighboring places, and partly in exchange for specie, which was returned to Canada, usually by way of the Champlain route to Montreal. A great part of the specie so obtained again flowed back in small streams to the northern fringe of colonies from which the Canadians received many supplies, as well as produce for export by the St. Lawrence route. A certain amount of this specie continued to pass, in prosperous times, into the small hoards of the French Canadians, who managed to make up by thrift for their lack of economic enterprise.

Such being the normal circulating system of trade and exchange, when the connection with the American colonies was temporarily broken off, the bills of exchange on England found a very narrow market, the price fell, and the government suffered loss and inconvenience. Carleton therefore recommends the sending of specie, and asks that it be sent in dollars, to which the Canadians were now quite accustomed. The further request that a considerable quantity of small silver be included indicates the persistent scarcity of fractional currency, and the continued use of *bons*. After several urgent calls for specie the home government began to send some. But the troops accumulated in the province, increasing supplies were required for the swarms of Indian retainers of the west and north-west, and some of the troops in the revolted colonies had also to be supplied; thus the expenditure of the government in Canada increased enormously, and with it the need for a corres-

ponding expansion in the medium of exchange. The special situation of the country caused the amount of circulating medium required to be unusually large. Canada being frozen off from the rest of the world for about one half of the year, bills on Britain were saleable there during a very limited portion of the year. It would require, therefore, an enormous amount of ready money in the hands of the merchants to enable them to purchase all the bills of exchange in the autumn, and before they had well begun to dispose of their yearly supply of goods. On the other hand, the same system involved the holding of a very large sum of idle money in the military chest or provincial treasury during a considerable part of the year. If the agent of the money contractors would consent to forego the immediate delivery of specie at the close of navigation, when the bills were purchased and sent off, and would permit the merchants to deliver it during the winter and spring in proportion as they disposed of their goods, then a better price might be obtained for the bills, and a smaller amount of currency would answer the needs of the country. Haldimand, then in command in Canada, joined his voice to that of the merchants in urging this concession. The agent gave way; bills on the money contractors in London were disposed of on credit, which, coming to the ears of the contractors, brought forth a strong rebuke to the agent and a peremptory refusal to take any such risks for the future. This precipitated trouble in the colony, and a sort of financial crisis ensued, the particulars of which, however, do not belong to our subject. After this, for a time, the government continued to send large quantities of specie to Canada, until there was a plethora of it, and a corresponding scarcity of bills of exchange. About 1783 the Canadian merchants found it necessary to send a petition to the Treasury, praying that no more specie be sent to Canada, as the merchants there could supply all that was wanted in exchange for bills on the Treasury.

Many Canadians during this period accumulated considerable fortunes. The prodigal expenditure in the western parts of the country in particular, enabled quite a number of Montreal merchants to lay broad and deep the foundations of an extended trade with the western fur country and the newly established settlements in Upper Canada. The more prosper-

ous French Canadians, in virtue of good prices and abundance of specie, converted considerable quantities of their private hoards into family plate, a steady source of pride and satisfaction while it continued in that shape, and a visible insurance against any future day of need. Much of this old plate is still to be found in Quebec province; the people of Britain have a souvenir of it also in the shape of a considerable fraction of their national debt.

During the revolutionary war English specie came to Canada for the first time in any quantity. The currency of the colony then consisted of three distinct elements--the French coins left in the colony at the Conquest, the Portuguese and Spanish coins introduced from the English colonies, and the British coins brought directly from England when the southern supply was shut off. These different coins were also of varying values, according to the wear, mutilation, or sweating, which they had undergone. A good idea of the miscellaneous state of the currency may be gathered from the following extract from the report of the merchants of Montreal to Carleton in 1787, on the question submitted to them as to whether it would be advisable to attempt to bring all the gold coin of the country to a certain weight: "By the present laws respecting gold coin we pay considerably more than the mint price for all Portugal gold, all guineas and French Louis d'ors, and considerably less on Spanish and some kinds of French gold, yet we apprehend that the loss occasioned by this difference is not so great as the inconvenience would be of altering the present rate. We are of opinion that guineas should not be taken at 23s. 4d. unless they weigh fully 5 dwts. 8 grs., because they are at that rate about 1s. per oz. higher than in England, and to take them at a less rate would heighten the difference and likewise encourage the sweating and clipping that is already too much practised. We presume that to recommend plugging coin is encouraging that fraudulent practice of taking out good, and inserting false plugs, and that the attempt to bring gold coin to a certain weight would be attended with bad consequence and loss to the province."

With such a plethora of specie in the colony we may naturally expect to hear little for some time of the necessity for paper

money either in the shape of government issues, bank notes, or even *bons*. Indeed, had it not been for the retrograde political and commercial movement introduced by the Quebec Act, Canada might at this time have entered upon a period of unusual prosperity. It was the only colony in America, except perhaps Vermont, which was intimately associated with it in commerce, which had emerged from the revolutionary struggle without debt, and in a rich and prosperous condition. Chief Justice Hey, of Quebec, who was at first inclined to favor the general scheme of the Quebec Act, after observing the practical effects upon the colony, reports to the Lord Chancellor that Carleton had been most injudicious in his concessions to the seigneurs, whose elation at the restoration of their old privileges "has given "just offence to their own people, and to the English merchants ; "they insist that there be no alteration in the ancient laws, particularly in the article of commerce, the whole of which is in "the hand of English merchants, without whom there was not, "and will not be, any trade." While the Act remained in force there continued to be much trouble, confusion, and impediment in legal and commercial affairs. The French Canadian mercantile law was so antiquated and obstructive that business was immensely hampered, enterprise stifled, and the merchants discouraged. Even the remedy afforded by the new constitution of 1791 was very partial. Still that constitution by its permissive clauses brought liberty to the new settlements in Upper Canada, and as Montreal existed mainly by its trade with the northern States, the new settlements in Upper Canada and the north-west fur country, it did not suffer severely from the shackles which continued to bind the province in which it was situated. It also communicated considerable life to the city of Quebec, which, being the chief seaport of the country, likewise derived considerable advantage for a time from the timber and ship building industry which connected it with the outer world.

However, as the Constitutional Act of 1791, and the beginning of the settlements in the western country, bring us to a new point of departure in the history of Canada, we may reserve our considerations of the currency and exchange features of that period for the next article.

ADAM SHORTT

SURETIES AND SECURITIES

READ AT THE MEETING OF THE CANADIAN BANKERS' ASSOCIATION HELD IN
OTTAWA, SEPTEMBER 10TH, 1896

WHEN the contract of guaranty or suretyship has been formed and the relationship of principal, surety and creditor established, the rights and positions of the parties are governed, not only by the contract itself, but also by the general law, which has practically been built up from time to time by numerous judicial decisions supplemented in a few cases by statutory enactments.

The contract entered into by the drawer or indorser of a bill depends, not upon the express terms of his written contract, but upon the law merchant, and in speaking of the contract of guaranty or suretyship I refer, not to the contract of a drawer or indorser, but to the special contract which one enters into when he agrees "to answer for the debt, default or miscarriage of another."

The drawer or indorser of a bill of exchange is not strictly a surety for the acceptor. When the bill matures and is dishonored, and when the drawer or indorser gets due notice of the dishonor, his liability to the holder becomes absolute and is that of a principal.

During the currency of the bill the drawer or indorser does not occupy the position of surety for the acceptor, and has no equity to prevent the holder from dealing as he may deem best with the acceptor or other parties to the bill, or with securities received from them, provided he does not thereby prevent himself from giving notice of dishonor, so as to give the drawer and indorser their remedies against the parties liable on the bill in priority to them, but after the maturity and dishonor of the bill the drawer or indorser is in the nature of a surety for the acceptor, and, speaking generally, and omitting the special rights and liabilities under the law merchant upon or relating to the bill itself, it would be wise to assume for practical purposes

that the principles governing the rights and liabilities of a creditor and surety as between themselves with respect to the principal and to securities received from the principal, and with respect to the discharge of the surety, will apply, but the precise extent to which those principles do apply has not yet been finally determined.*

The subject of suretyship is one upon which numerous and conflicting decisions have been given, not only in relation to the construction of the contract itself, but in relation to the rights and liabilities of the parties connected with it. The creditor has rights against the surety; the surety has rights against the creditor; the surety has rights against the principal; sureties have rights among themselves; the surety may be discharged in whole or in part by the acts or omissions of the creditor. These branches of the subject are but some of its divisions, and, as the kinds of business done and the ways of doing business are constantly changing, and as new cases are constantly arising to which no previous case is entirely applicable, the difficulty of laying down any general rules or principles for the guidance of those interested in the subject will be readily seen. Yet there are certain matters of practical and every-day interest to banks upon which some general explanations will be useful.

The contract of guaranty or suretyship which a bank holds is generally carefully drawn, and not much difficulty arises in determining the rights of the bank under it; bank managers as a rule know what those rights are. It is usually with reference to the rights of the surety against the bank, and to the discharge of the surety by acts or omissions of the bank, that their information is deficient, and it is upon these points that I propose to make some practical explanations and give some practical advice.

It must be always borne in mind that if the contract itself makes provision relating to the matters which are about to be explained, such provision must govern, even though the rights, which the surety or the bank would otherwise have, be thereby enlarged or diminished.

*See note at the end of this article.

A bank frequently and unwittingly infringes the rights of a surety, and thereby releases him in whole or part from his liability, by the way in which, after the relation of principal and surety has been established, it deals with the principal and with the other securities which it may have received from him.

In a paper upon dissolutions of partnership read last year at the meeting of the Association in Quebec I explained the reasons why a surety was discharged, if without his consent, the creditor by a binding agreement gave time to the principal for payment of the debt. I will be pardoned if I repeat them here.

As a rule, and subject to certain exceptions, some of which will be shortly explained, a surety is discharged if the creditor in a binding way and without the surety's consent gives time for payment to the principal debtor. The reason for this is that one of the most important rights possessed by the surety has been interfered with. He has the right so soon as the debt matures, and even before the creditor demands payment, to compel the principal by proceedings in court to discharge the debt and thus relieve him from his liability as surety. If the creditor without his consent in some binding way extends the time for payment of the debt, the surety cannot till the extension expires compel the principal to relieve him. This being an injustice to the surety brought about by the act of the creditor, the law relieves the surety at once, and his liability to the creditor is discharged. The result does not depend upon whether or not the surety is really prejudiced by the extension; a right of his has been interfered with, and no enquiry can be made as to the actual value to him of this right.

Another reason is that the terms of the obligation, for the carrying out of which the surety became responsible, have without his consent been changed so that such obligation no longer exists and there is nothing left covered by the surety's contract. The liability of a surety depends entirely upon his contract; the creditor's claim against him is *strictissimi juris*; his liability cannot without his consent be extended beyond the scope of his contract, and his rights are carefully guarded by the law. But, if in the instrument giving the time, or by collateral agreement made at the same time, the creditor expressly reserves all rights against the surety, the latter will not be discharged. The reason

for this is that the effect of such a reservation enables the creditor, if he so desires, to proceed at once against the surety, and in turn it enables the surety to proceed at once against the debtor, and the reservation of rights against the surety so qualifies the effect of the extension of time as to keep alive, so far as regards the surety, the original obligation of the principal, and to preserve the creditor's rights under the contract of suretyship. This principle is now so well recognized in our law that there is no difficulty in arranging to give time to the principal debtor and yet not discharge the surety; the real danger when making arrangements with the principal without the consent of the surety, is that the liability of the principal himself may not be preserved in its original form, and there may be so material a change in the nature of that liability that the surety, unless his contract allows it, will be discharged; no reservation of rights will in such a case prevail. A familiar instance of this is where there has been a novation, and the liability of one person accepted in lieu of that of another.

There are other modes of dealing with the principal which will discharge the surety, but as they are not of constant or even frequent occurrence in practical banking, it would unnecessarily occupy time to refer to them here.

The creditor's dealings with securities are, of course, of practical importance and constant occurrence. It may be stated generally that a surety is entitled to the benefit of all securities received by the creditor from the principal in respect of the same debt, whether such securities were received before or after the contract of suretyship was made, and whether the surety knew or did not know of their existence. This right does not depend upon the contract, although the contract may, if the parties think fit, make provision respecting it. The right results from the equitable principles involved in the relationship of the parties. It is equitable that the property of the principal pledged for the payment of the debt should be applied by the creditor for that purpose; it is grossly inequitable that it should be diverted from such purpose and the payment of the debt thrown upon the surety. This right to the benefit of securities, held by the creditor, casts upon the latter certain duties towards the surety, and, if they be neglected, the surety will be dis-

charged in whole or in part, according to the circumstances. The creditor occupies a position analogous to that of trustee for the surety, of the securities of which he is entitled to the benefit, and it is his duty to conserve these securities in a prudent and reasonable way, and not to be guilty of negligence with respect to their realization.

If the existence or subsequent taking of the security formed no part of the contract of suretyship, or was not so in the contemplation of the parties as to make the existence or taking of the security a material consideration in making the contract, then if, by the improper act or omission of the creditor, the benefit of the security be lost to the surety, he is discharged only to the extent to which he is thereby injured, as it is the fact of his injury in such a case which entitles him to complain, and his complaint must be confined to the extent of the injury; but if the existence or subsequent taking of the security be made a part of the contract, or be a material consideration in the making of it, then if by the improper act or omission of the creditor the benefit of the security be lost to the surety he is wholly discharged, not because of the injury in amount which he sustains, but because the creditor himself has committed a breach of the contract with the surety, or has so altered the position of the parties, and his contract with the principal, that he cannot on his part carry it out as it existed when the contract of suretyship was made.

The principles involved are well illustrated by the case of *Union Bank v. O'Gara*, reported in 22 Canada Supreme Court Reports, page 404, also reported at page 290, vol. I, of the JOURNAL of the Association. The real difficulty in that case arose upon the questions of fact, and although there was a difference of opinion among the judges as to the result, their views as to the law would not probably have differed had the facts been free from doubt. The action was brought by the bank against Mr. O'Gara as endorser of certain notes made by a firm who had a contract with a railway company for the construction of a portion of its line, and upon which notes the contractors had obtained money from the bank. In the judgment concurred in by the majority of the court the facts are in effect thus stated :

O'Gara indorsed the notes in question upon the understanding, not only between himself and the contractors, but also with the manager of the bank itself, that all the monies payable to the contractors under the contract were to be paid, not to them directly, but to the bank. From these monies the contractors were to be at liberty to draw whatever was necessary to carry on the work, but any surplus was to remain in the bank as security for the payment of the notes indorsed by O'Gara. During the progress of the work the railway company made certain payments, not to the bank or the contractors, but for which it claimed credit from the contractors; disputes arose as to the railway company's right to deduct these payments, and for certain considerations the bank and the contractors ratified them. This ratification was made without O'Gara's consent, and he contended that certain of the payments were such as the railway company had no right to credit for, and he claimed that, having by the ratification in effect given up to the company monies to which the bank was entitled, and which, if received, would have been applied on the notes, and this being in breach of the understanding or agreement upon which he indorsed the notes, he as indorser or surety was wholly discharged.

The court, in accordance with well settled principles, held that the subsequent ratification of the payments had the same effect as if the bank had agreed to them before they were made. They held also that for certain of the payments the company would not have been entitled to credit but for the ratification, and the learned judge who delivered the judgment says: "This was a clear variation of the terms of the original understanding between the bank and Mr. O'Gara in regard to the equitable assignment (of the monies in question), upon the faith of which he made the indorsement. It this is the correct view the principles of law applicable to the case are not in the least difficult. Any material variation in the terms of the original contract made between the principal debtor and the creditor will discharge the surety. If it clearly appears that the surety became surety on the faith of the original contract, he is likewise discharged irrespective of the question of materiality. *A fortiori* must this be so where, as in the present case, the

“surety actually stipulates that securities shall be given to the creditor, and the creditor, without the assent of the surety, subsequently relinquishes such securities The contention that if there was a release at all it was a release *pro tanto* only, does not, I think, apply. The principle, I take it, is that there is a total discharge where there is any variation by the creditor in a contract upon the faith of which the surety entered into his obligation. Where, however, the creditor has assets or securities in his hands (the surety having no connection with them) which may be applied by the creditor in reduction of the debt secured, any improper or careless dealing in respect of such securities may discharge the surety to the extent of the loss occasioned thereby.”

So far it has been assumed that the liability of the surety was for the whole debt, but probably the most frequent case in practice is that in which the surety's liability is limited to part of the debt, and where the creditor holds securities from the principal which are applicable to the whole or to a greater part of the debt. What are the surety's rights in such a case, and what must the bank do in order to protect its own rights?

In the first place it must be borne in mind that the surety has no rights with respect to the securities, unless they cover that part of the debt for which he is liable, and it must also be borne in mind that unless it be provided for by his contract, the surety cannot control the terms upon which the security is given to the creditor; therefore if, when the security is taken, it be appropriated to the payment of a particular part of the debt for which the surety is not liable, he is not entitled to the benefit of that security; and if, when the security is taken, the principal and creditor agree that the creditor may himself appropriate the security or its proceeds to such part of the indebtedness as he may think proper, and if he does appropriate it to a part for which the surety is not liable, the surety is not entitled to the benefit of the security, unless possibly to the extent of any surplus. But if the security be given generally for the whole indebtedness, or for a portion, including that for which the surety is liable, then the surety acquires a certain interest in it with respect to the part for which he is liable.

Before explaining his rights in this respect, I wish to point

out, as a matter of great practical importance, the necessity of providing, as far as possible, when taking a general security, that the bank shall have the right to appropriate it and its proceeds, to such part or parts of the indebtedness as it thinks fit, whether the same be otherwise secured or not, and whether or not the bank holds therefor the liability of any other person or surety under any guarantee, indorsement, bond, or otherwise, and whether then existing or thereafter taken. The importance of having this right of appropriation is apparent when it is remembered that, if a surety is once entitled to the benefit of a security, the creditor cannot, without his consent, divert it or apply its proceeds in payment of an unsecured part of the claim.

If, after the surety has paid his portion of the debt, a portion still remains unpaid, the creditor cannot be compelled to hand over to the surety the security applicable to this unpaid portion, nor is he bound to sever the security and hand over or assign a part corresponding to the amount paid by the surety; the right of the creditor to retain and collect or realize upon the security remains, subject, however, to a liability to account to the surety with regard to the realization and for his proper proportion of the proceeds.

It has been held in the United States that if there be two distinct debts and a distinct security be given for each, and if then for one of these debts, and with knowledge of the other, a guarantor becomes liable, and if both debts be overdue, the guarantor cannot, on payment of the debt for which he is liable, compel the creditor to hand him over the security held for that debt, so long as the other debt remains unpaid. In the case referred to the court said that, as against the principal, the creditor could tack his claims together and retain all securities till both claims were paid, and that, although a surety upon paying the debt is entitled to all securities held by the creditor, yet this was only, "Provided the creditor has no lien upon them, or right to make them available against the principal, to enforce the payment of a debt different from that which the surety has paid, but if the creditor has such a right, and one arising out of the transaction itself of which the suretyship forms a part, then the right of the surety to the benefit

“of these securities, is subordinate to the right of the creditor
“to make them available for the payment of his other claims,
“and can only be made available after this paramount right is
“satisfied.”

This would probably be the law of England also in the precise case put, but if special circumstances intervened, rendering it inequitable for the creditor, as against the surety, to tack his claims, the surety would no doubt get relief; for instance, if the existence of the security were a material consideration in the making of the contract, and if the surety did not know of the other debt, or if the other debt arose since the contract of suretyship was made, it would probably be held that the creditor's right to tack as against the surety would not exist.

In the absence of an express agreement with the surety providing that the creditor shall first exhaust his securities before calling on the surety for payment, the surety cannot compel the creditor to look to his securities first. In order to get the benefit of the securities he must first pay the debt; then, and not till then, is he entitled to have the securities enforced. I understand, however, that a different rule prevails in the province of Quebec.

It will be seen from what has been explained, that more or less danger to a bank's position always attends any dealings with the principal relating to the debt or obligation guaranteed, and any dealings with securities received from the principal and applicable to that debt or obligation. An eminent judge in England said in a reported case: “The true rule in my opinion
“is that if there is any agreement between the principals with
“reference to the contract guaranteed, the surety ought to be
“consulted;” and “If it is not self-evident that the alteration
“is unsubstantial, or one that cannot be prejudicial to the
“surety, the court will not in an action against the surety go
“into an enquiry as to the effect of the alteration.”

Lord Chancellor Westbury said: “Now it must always
“be recollected in what manner a surety is bound. You bind
“him to the letter of his engagement; beyond the proper interpretation of that engagement you have no hold upon him.
“He receives no benefit and no consideration. He is bound

"therefore merely according to the proper meaning and effect
 "of the written engagement he has entered into. If that writ-
 "ten engagement is altered in a single line, no matter whether
 "it be altered for his benefit, no matter whether the alteration
 "be innocently made, he has a right to say, 'The contract is
 "'no longer that for which I engaged to be surety; you have
 "'put an end to the contract that I guaranteed, and my obliga-
 "'tion therefore is at an end.'"

The only practical advice which I can offer to bank managers, to guide them when contemplating any dealings with a debtor respecting the debt for which a guarantor or surety is liable, or when contemplating any dealings with securities held for such debt is, "Consult the solicitor."

Z. A. LASH

September 10, 1896

NOTE.—The position of the drawer or indorser of a bill of exchange, discussed in the opening portion of the foregoing article, is a point of such importance to banks that it is thought well to print in full the following extracts from the judgments of the House of Lords in the case of *Duncan Fox & Co. v. North and South Wales Bank*, reported in Law Reports 6, Appeal Cases:

The LORD CHANCELLOR (Lord Selborne).—"But I think that the principles deducible from all the authorities lead necessarily to the conclusion that, under circumstances like the present, the equity between the indorser and the acceptor is the same as that between a surety and a principal debtor when the creditor is not a party to the contract of suretyship. That equity, according to my view of it, need not interfere with the ordinary operation of such a general covering security as that given by Samuel Collins Radford to the North and South Wales Bank, during the continuance of the dealings between the secured creditor and the acceptor of bills not overdue, which the creditor may hold or part with as he pleases. It will not incapacitate bankers who may hold such a bill, accepted by a customer and indorsed by a third party, from carrying on their dealings with that customer, by varying the securities received from him according to the ordinary course of those dealings, as long as he remains solvent and before the acceptance has been dishonored. It will not, in my opinion, tend to paralyze the business of discounting bills of exchange. But it is an equity which, in my judgment, does certainly attach, when the bills, overdue and dishonored, and the securities are found together in the hands of the secured creditor, at the time when he requires payment from the indorser; when the creditor has no other transactions then depending with the customer, and no claim upon the securities except for the bills themselves; and when the competition is between the indorser and the acceptor only."

LORD BLACKBURN.—"I think it is clear that they [the indorsers] have no such right [*i.e.*, to the benefit of securities] by contract. They did not at the time when they got the bills discounted at the bankers so much as know that the bank held any security from Samuel Radford & Sons, and of course, that being the case, made no express stipulation about it; and there is nothing in the nature of an indorsement for value to give the indorser any

right, during the currency of the bill, to any security which either his immediate indorsee or any other holder of the bill, may have from any party to the bill. The indorser by the law merchant, is liable, on having due notice of dishonor, to pay the amount of the bill to the holder for the time being, on having the bill restored to him; but till the bill is dishonored there is nothing to prevent the party who may be the holder for the time being indorsing it, even without recourse, so as to make it impossible that he can ever be the person to whom the prior indorser will have to pay the bill. I think, therefore, with the Lords Justices, that there is neither principle nor authority for saying that the indorsers are, during the currency of the bill, sureties, or in the nature of sureties to the indorsee, or that they have any equity to prevent the endorsee from dealing as it may seem to him most desirable with any other parties, unless thereby he prevents himself from giving notice of dishonor, so as to give them their remedy against prior parties to the bill; and I agree with them in thinking that any contrary decision would be very mischievous.

"But though the indorsers had no such right by contract, yet after the bills were dishonored and notice of dishonor had been given to the indorsers, the position of the parties is altered. Though the indorser is primarily liable as principal on the bill, and is not strictly a surety for the acceptor, he has this in common with a surety for the acceptor, that he is entitled to the benefit of all payments made by the acceptor, and is entitled, on paying the holder, to be put in a situation to have a right to sue the acceptor."

LORD WATSON.—"It does not appear to me that the broad proposition maintained by the appellants at the Bar of the House and elsewhere, to the effect that the indorser of a bill of exchange becomes entitled, in a question with the holder, to the same equities as if he had been a proper surety for the acceptor, has any foundation in law. To give these equities to an indorser before the bill falls due would, in my opinion, be inconsistent with the nature of a bill of exchange, and the rights and obligations which it creates in favor of and against the parties to it; and I entirely agree with the observations of the Master of the Rolls upon the grave inconveniences to which bankers and merchants would be exposed by the introduction of such a principle, so far as these observations apply to the period of the bill's currency.

I have only to add that, whilst it is my opinion that the indorser is not in the likeness, and therefore cannot claim the equities of a surety, so long as the bill is current, I am not prepared to hold that he becomes necessarily, and in all circumstances, entitled to these equities whenever the bill matures. It is possible that, after maturity, the holder of the bill may have such interest, arising from his relations with the acceptor, as will entitle him even then to deal with his securities without respect to the interests of the indorser. But the solution of these questions is unnecessary for the disposal of the present case."

A METHOD OF BOOK-KEEPING FOR A COUNTRY BANK AGENCY, WITH SUGGESTIONS FOR RETURNS TO HEAD OFFICE*

BEING THE ESSAY IN COMPETITION II (1896) TO WHICH THE FIRST PRIZE
WAS AWARDED

“WE have no horror of numerous branches,” writes that eminent authority, the late J. W. Gilbart, in his “History, Principles and Practice of Banking.” “When we see that “the largest and most prosperous banks have each a large number of branches, we are led to believe that branches are not “attended with any dangers which cannot be overcome by wise “administration. At the same time we are ready to admit that “numerous branches require a peculiar mode of government “and a rigid system of discipline. . . . Each branch must have “a good system of book-keeping and the system must be uniform “at every branch. . . . Weekly returns must be made to the “head office of all the transactions, and a half-yearly balance “sheet attended with full supplementary details. . . . “Branches should always be kept in strict subordination to the “head office.”

Years of successful operation in Canada have demonstrated that not only are branch banks feasible, but that their existence is of mutual benefit to the central institution and to the communities amongst which they do business; and experience has served to emphasise the essentials pointed out by Gilbart—that a good and uniform system of book-keeping must be in use throughout all branches, and that, for the success of the whole, one office must be recognized as chief. This—recognizing economy as a feature of success—should not only possess powers of supervision, but, in addition, should act as a kind of

*Attention is directed to the addenda as illustrating the text of the essay.

clearing house for all branches. On such an assumption has the present paper been based, since it is natural to suppose that an agency, possessing not even so much autonomy as a branch, should be in very constant and close touch with the recognized head office.

Dependence of this character, however, does not imply deprivation of banking functions. On the contrary, an agency of a sound bank will have business along the same lines as the head office itself, differing only in quality and extent. "Country banks are banks of deposit, banks of discount, and banks of remittance; many of them are also banks of circulation," writes Gilbart in another place. To these functions the smallest agency of a banking institution can lay claim. The credit of the bank as a whole, and the class of local customers, will govern its business in deposits and remittance; the needs of the business community, with the "line of discount" allowed by the chief management, will govern its discounting business; while the privilege accorded the whole institution of issuing notes will give it rank in a minor degree as a bank of circulation. Such being the case, it is apparent that a method of book-keeping must make adequate provision for all classes of business, for while the volume of business may be small in comparison with a central office—which will permit of condensation in book-entry—the majority of the transactions will be of a similar nature in each.

Method is defined as "such a natural, regular or systematic disposition of things or parts as results in homogeneity," and no words could better express the aim and object of book-keeping, especially when applied to banking practice. To produce definite, accurate results with ease and rapidity, and class such side by side in the balance sheet of the bank, is the great test of book-keeping methods. That they should be simple, goes without saying; that they should be elastic, and respond readily to any sudden demand of increased business, is essential; and that they should be in accord with well known broad principles is a necessity for dealing with any difficulties that may arise. What they are under ideal conditions is well given by Mr. Geo. Rae in his "Country Banker," wherein he says: "The routine of a bank, to a large extent, is automatic,

“and is usually framed on the simplest and most direct methods of doing those things which have to be done swiftly and effectually. Superfluity of record, and excess of books and book-entry only puzzle the brain, lengthen the hours of office-work, and multiply the chances of error.”

It is obviously impossible to decide as to the number of officers which a country agency should have, so much depending upon unknown circumstances; but, for present purposes, it will be sufficient to suppose that three compose the staff—the agent, whose duties will embrace correspondence and a certain amount of book-work—a teller in charge of cash, bills, etc., and another officer whose duties are of a more general nature. It must be understood, however, that the books are to be considered in a departmental sense rather than as being under the care of any one officer.

By applying Mr. Rae's ideas as to how work ought to be done to Mr. Gilbert's statement of what has to be done, it is possible to obtain a general view of what books a bank agency must use in order to cope with business offering. As a “bank of deposit” it is expected and will undertake to receive sums of money from clients, and to pay them out on demand upon the depositor's written order. This will necessitate the keeping of ledger accounts so that the exact relation of the bank and each customer may, at a glance, be determined. For the other class of deposits, “time deposits,” which the bank does not agree to pay away at any time or in any sums, a separate register will be needed, which will operate as the one account between the bank and the public. All money received, or money paid out, will of necessity be recorded in a cash book. As a “bank of discount” a full record of all bills upon which money has been advanced must be kept, and provision made for their presentment at maturity; while similar means must be adopted to ensure care over all paper left with the bank as agent. That instant reference may be made to the condition of a borrower's liability, accounts with all from whom paper has been bought must be opened. As a “bank of remittance” the agency must be prepared to issue drafts payable at points over the whole world, and to see that such steps are taken that these may be duly honored on presentation. This will necessitate well-ordered

correspondence and regular communication with the head office, through which medium balances will be struck and settled. As a "bank of circulation" it will be entirely dependent upon the head office, which will probably have assumed the sole responsibility of redeeming notes, though the agency will receive and pay them as cash.

The one place in which these functions resolve themselves into orderly and relative comparison is the balance sheet. Primarily, this is a statement of the amount at debit or credit of the various accounts under which the bank classes its business—a "trial balance" in mercantile language. Naturally, it is founded on the double-entry system of book-keeping—"that science, based upon true mathematical principles, all the elements composing which so interwoven that a derangement of one can be traced by the effect upon the others." In principle, the bank debits itself and credits its various accounts for all sums received by or deposited with it; and credits itself and debits its accounts for all sums advanced or paid out by it. The many ways in which daily transactions are sub-divided often obscure this fact, but, when all are finally summarised in the balance-sheet, the truth becomes apparent. As a striking example of sub-division the care of depositors' accounts—"Current Accounts"—may be instanced. These may furnish by far the greater part of daily work, but only the final result—the total of all balances—finds its way to the balance-sheet as "Deposits on Demand." These individual accounts are, in fact, kept on the single-entry principle of book-keeping. So it is possible to sub-divide any account as often as may be necessary for the accurate handling of minor items, and yet have only one exact total appear when all is done.

The preponderance of business under "Current Accounts," contrasted with the more important, perhaps, but less voluminous work on other accounts, permits the drawing of a sharp distinction, and the classing of all others as "Miscellaneous"—a distinction which may be adhered to with advantage throughout. There is no single standard by which the books containing these accounts are named. Nomenclature varies in every bank, and the only system herein adopted is to use the name which seems best to convey the

The
Balance
Sheet

Division of
Accounts

purpose of the book. Where ledgers are spoken of, it is understood that such are kept on the progressive or columnar principle, *i.e.*, with amounts shown in columns side by side, the left hand column for debit, the right hand for credit entries, a third for the balance (debit or credit), and a fourth, when necessary, for calculation of interest.

Reverting again to distinctive functions, in deposit business the medium of intercourse between the public and the bank is found in the teller's department. The work here necessitates a Teller's Cash Book,¹ showing the cash on hand when the day's business is begun, the various transactions during the day, and the cash on hand at the close. For every entry made, there must be a corresponding voucher, either "Miscellaneous" or "Current Account." To preserve this distinction the book is ruled journal-wise—with two cash columns on the right hand side of each page—in the outer of which current account items are carefully kept, while in the inner all other vouchers are entered. When the book is open the credit page is to the left, the debit to the right.

Since it is the practice to receive "Current Account" deposits under a customer's signature and only to pay away money from his account on his written order—his cheque—it may be laid down as a rule that no entry is to be made in the Current Account Ledger without a corresponding voucher. Should it be necessary to credit an account with money not received over the counter, a "docket," or "slip," must be prepared showing particulars, and similarly with entries to the debit. In this way a uniform method of posting the Current Account Ledger² is adopted and the doubtful one of posting accounts from books and vouchers avoided. By observing this rule an authoritative voucher can be found on file when required. The day's vouchers having passed from the teller are posted to the respective accounts, are then sorted in order and again passed on to what is variously known as a "Clean Cash Book,"

"Waste Book," "Check Ledger," or "Current Account Day Book."³ This is a recapitulation of the accounts operated upon, showing names and

¹ Specimen ruling on p. 175; ²p. 175; ³p. 176.

amounts to debit or credit. If all the vouchers have passed through the Teller's Cash Book, it is clear that the totals—debit and credit—of the former will agree with the total of the current account columns in this. From the Current Account Day Book the Ledger is "called over" and the postings so checked. By subdividing it also to correspond with subdivisions of the Ledger, it is easy to balance each Ledger subdivision separately, and so economise time in searching for errors. The Ledger is balanced periodically—say twice a month, if it is the practice to mark cheques before paying them; when otherwise, it is usual to balance daily.

Ledger
Balance
Book

The Balance Book—either for daily or periodical balances—is best kept on the horizontal principle, by which a name written to the extreme left of a folio

is an index to debit or credit columns across the two pages.

Essential auxiliaries to the Ledger are the customers' pass books, the preferable method of writing up which

Pass Book

is from the vouchers themselves, but, as marked cheques are likely to be taken away for some time,

the usual practice is to make a copy of the account. A record of all paid cheques, returned to the drawer, should be made in the pass book, and a formal receipt taken for the same.

In direct subordination to the teller's department are the

Deposit
Receipt
Register

Registers of Deposit Receipts and Certificates of Deposit, in which a full description is entered from the signed requisition slip ere a receipt is issued.

A "Paid Register" is also provided, in which all receipts as they are returned are entered and ticked off with the original entry. Side by side with

Drafts
Register

these is a Register of Drafts Issued, subdivided again into Sterling Drafts, Drafts on Agents and Drafts

on Branches. The name of payee, place of payment, amount, and exchange charged are the particulars to be emphasised.

Drafts
Advised

With the exception of Letters of Credit Advised, or Drafts Advised, the teller's department keeps no other records. These are entered up from the Advice Sheets received and written off as the drafts are paid.

Specification
of Cash

A book for Specification of Cash, setting forth amount of gold and silver held, denominations of notes and

number of each, with any other necessary particulars, assists the teller in "making up" his cash.

It is chiefly as a "bank of discount" that a country agency expects to pay expenses and make a profit. The "paper" it buys is of two kinds, the "discount," bearing two or more names—drawer and acceptor, or promissor and endorser—and the "loan," a simple note of hand, secured or unsecured. The latter style of advance having almost entirely superseded that of the "overdraft" or "cash credit" in Canada, is considered as covering these terms. However classed it is necessary to keep a full and true description of all paper taken, and for this purpose two Registers are provided—a Discount Register and a Loan Register.¹ In the first the bills are numbered consecutively and particulars entered under columns to show: date bought, number, for whom discounted, acceptor, other endorsers, where payable, amount, daily total, date, term, due date, rate, interest, commission charged. Bills on foreign points should be marked clearly with the bank's stamp and a special account "Bills Remitted," credited, and its contra "Bills Paid," debited with each remittance, and entries made on these accounts when advice of payment is received. For each batch of bills discounted a "discount slip" should be worked, independently of the book entry, to check calculations, and another slip made out to credit the customer's account in the Current Account Ledger. From the original discount slip a duplicate, so often asked for, can be made by using a piece of carbon paper. The Loan Register is also a true copy of each note, with an additional space for "security held." Allied to these records and of great importance is the Liabilities Ledger.² This is designed to show at a glance the indebtedness of a customer to the bank (1) as endorser, (2) as acceptor. When a customer receives money on a discount or loan the gross amount is posted to his debit as endorser; when his name appears in another capacity the gross amount is posted to his debit as acceptor. At maturity the amounts are posted to his credit from the Bill Diary, though some of the largest discount houses adopt the simple plan of ruling the entries

Discount
and Loan
Register,
Liability
Ledger

¹Specimen ruling on p. 177; ²p. 178.

through in red ink as the bills mature. The Ledger should be balanced at least once a month, the endorser side against the total amount of Loans and Bills Discounted, the acceptor side against the total of Bills Discounted only.

Of a similar nature, and requiring to a certain extent similar treatment, are bills left with a bank to be collected for customers, branches or correspondents. These may be either local or foreign bills, and are distinguished as Bills Lodged and Bills sent for Collection. Two Registers,¹ bearing these names, will suffice for the business of an agency. That for Bills Lodged serves as a record for every bill, whether accepted or unaccepted, to be cared for at maturity by the agency. It should show the bills numbered consecutively as received, with owner's name, owner's number, if a correspondent, bank, drawee, term, when accepted, due date, amount, remarks. Sometimes, when number justifies it, a subsidiary book for sight or short date items, is used with advantage. The Bills for Collection Register is very similar, showing, in addition, place of payment, and date when paid. If desired, the exact amount of such bills on hand can be shown by crediting the daily total to accounts for Bills Lodged and Bills for Collection, or both combined, and debiting them with bills paid or returned. By the use of these and their contra accounts, a showing will be made in the balance sheet of the volume of business so transacted.

Provision has also to be made for a class of bills, bought by the bank on foreign points, at such usance as to preclude their being passed direct to the debit of a branch or correspondent, while, at the same time, it may not be desirable to discount them. Very often these have documents attached, or are drawn in such currency as only enables an approximate estimate of their value to be made until returns are received. They are debited to an account called Foreign Bills Purchased and numbered consecutively in a Register of that name, with full particulars as to drawer, drawee, place, term, due date, amount, commission charged. Particulars of any shipment to which they may refer should be given, and a column added for that purpose where necessary.

¹ Specimen ruling on p. 176.

From the Registers, all bills, local or foreign, find their way into the Bill Diary under their respective due dates. But this is more than a simple memorandum of maturities. It is designed to show the exact class of paper, and indicate the owner without reference either to bills or registers, yet permit of instant reference to these if desired. The Diary is either subdivided for local and foreign paper maturing, or two are kept so distinguished. Each day is again subdivided for the different classes of bills. The Local Diary¹ will show discounts, loans and bills lodged; the Foreign Diary, bills for collection, bills remitted and foreign bills purchased. The former will provide, if a discount or loan, for number, acceptor, amount, how disposed of; in the case of a bill lodged it will provide for number, owner, owner's number, amount, commission charged, net proceeds. A column for place where payable, and date when paid, will be added for the Foreign Diary. Outstanding bills in this should always agree with the balances on the contra accounts, bills remitted and bills for collection, already referred to.

It is sometimes advisable to class bills lodged or others as collateral bills; in which case they are placed in a register under that name, particulars being shown as in similar registers. They are afterwards posted under the customer's name in a Collateral Bill Ledger to show acceptors, amounts, and due dates. When paid, these accounts are credited, and the loan presumably reduced correspondingly.

The Bill Case is the last resting place of all paper until the day of maturity. Each day's bills inward are sorted away in order of dates, and all due taken out and held for payment. Needless to say the Bill Case ranks in importance with the cash reserves.

Unfortunately, however, the day of maturity does not always see all paper settled, and too frequently a note or acceptance becomes that hated object, a "past due bill."

If the bank be merely a collection agent, its interest ceases when it has carried out instructions as to

¹Specimen ruling on p. 178.

protest or return; if it be an interested party it will have to take steps to secure payment. The account for bills discounted should be credited with all the local bills maturing each day, and any unpaid should be debited to past due bills account and registered as such. This prevents any rule-of-thumb method of endorsers waiving protest, and then taking up the bill at their leisure, besides furnishing the agency with a "black list" for future reference.

In any bank, and more especially a country one, direct personal contact with customers does not furnish the entire business, nor perhaps the largest proportion of it. Correspondence matters have to be reckoned with, and these will increase as the business already considered has to be furthered or finished. Transactions of this nature will be independent of actual cash, and since "every debit requires its credit" it follows that they are capable of being journalized. The book, practically a journal, which receives such entries is similar in all respects to the Teller's Cash Book, and may be appropriately termed an Accountant's Cash Book.¹ There is this fundamental difference, however, that the latter is a book of reference, and the entries in it are used as a record, while the vouchers are practically the true record of the teller's work. This book is, moreover, a record of all transfers on the various accounts, and, in short, *everything* which does not pass into the hands of the teller is entered in the Accountant's Cash Book in sufficient detail to explain the transaction. In accordance with the rule, slips will be passed, in addition, for all transactions shown on current accounts. Obviously, if the work be correctly done the day's total of credits will agree with the total of debits.

Since the head office is the medium of settlement between all branches and agencies, the account with it will absorb the largest proportion of the agency's correspondence business. For everything that the agency transmits direct to other branches or agents it will debit head office, and credit it with everything received. The way in which all such transactions are recorded for the head office is upon a specially prepared schedule, which

¹Specimen ruling on p. 175.

has also to be uniform at all branches. It may be perforated if necessary for head office purposes, so as to furnish a debit and credit list separately. In any case, one part should, under the heading "Credit X Agency," recite the various cash items remitted, any paid bills of which advice has been received, total drafts of other branches paid, etc. Under the heading "Debit X Agency" should be given all cash remittances received, all collections made for branches or agents, total of draft advice sheets sent, etc. The whole is practically a summary of correspondence results between the agency and all other points. The Teller's vouchers, the Bill Diary and the Accountant's Cash Book are its main feeders. It is, before being despatched, copied into a letter book kept for that purpose.

Having in the foregoing considered the channels in which the day's business flows, it becomes necessary to see how these are directed so as to form practical and concise issues. No order has appeared to govern business except in the handling of it; and the net results so far are a bundle of vouchers, and a mass of book-entries. The current account vouchers, it is true, have been followed to their goal, but the remaining entries have yet to be disposed of. This is done by means of a

Day Book Day Book¹ ("miscellaneous"), the function of which is to prepare transactions for entry in one total into the General Ledger. To some extent this work is a repetition of what has already appeared in the Accountant's Cash Book, gathering, as it does, the various scattered items under the headings to which they belong, but the systematised result more than makes amends for the trouble. Indeed, so much importance is attached to the book by the majority of the Scotch banks that exact copies of each day's transactions are forwarded to the head office. In ruling it may be exactly similar to the Cash Books, one column, the inner, being used for details, the outer, for extended totals, and, as in the other cases, the credit page is to the left, the debit to the right hand. For each day's work the pages are spaced into as many General Ledger headings as have covered transactions, and the day's items under each extended in one total. The great rule which governs the book is that *no entries*

¹Specimen ruling on p. 175.

are made in it from vouchers, but from all the other records which have been made. These sources are: (1) the books subsidiary to the teller's department, as the Deposit Receipt and Drafts Issued Registers; (2) the Diary, for the day's bills paid; (3) the Registers of Loans and Discounts, the totals only of bills, interest and commission being taken; (4) the entries in the Accountant's Cash Book; (5) the letter-book in which the head office schedule has been copied. In this way an absolute check is established upon all the transactions of the day, even to the account with head office, for if the book "balances," it is evident that all previous entries have been properly made. When this is the case, all in the Day Book being miscellaneous items, its debit and credit totals will agree with the debit and credit totals of the miscellaneous columns in the teller's Cash Book, plus those of the Accountant's Cash Book. If to both its totals be added those of the current account Day Book—"Deposits on Demand"—to its credit side the total notes and cash on hand at opening, and to its debit side those on hand at closing, the grand totals will agree and a complete epitomized record of the day's transactions will be furnished.

The totals thus obtained are posted direct to the General Ledger, which contains all the accounts covering the bank's business. At the close of any day's transactions this ledger can be proved by its total debit balances agreeing with its total credit balances, so furnishing a balance sheet, the end of all system, the aid to management, and, in its condensed form of Assets and Liabilities, the encouragement of public confidence.

Since it has been stated that all accounts are capable of being subdivided, it will be well to take note of some which can be so treated with advantage. For instance, it is now usual to provide for a Savings Bank Department, the total deposits in which will be a factor on the balance sheet. Its operations correspond exactly with those on Current Accounts, the only difference being that while the latter require a separate Current Account Day Book to record credits and debits, the similar, but far fewer, Savings Bank vouchers can be copied directly into the day book and extended in one total as with other entries. This is the only exception to the exact rule previously

General
Ledger

Savings
Bank
Department

laid down as to vouchers. Instead of using a ledger for this class of work, it may prove convenient to have a drawer arranged to hold numbered cards, each of which is properly ruled like a ledger account. The ordinary Savings Bank ledger suffers from what may be termed irresponsible accounts, open only for a brief period, and a drawer of cards need only contain accounts in active operation, all others being taken out and filed away as soon as closed. When balance time comes round there can be no comparison as to convenience.

Then a ledger to contain the Profit and Loss Accounts is a necessity. While the balance, according to the General Ledger, of Exchange, Interest, Commission, Charges, Stationery Accounts, etc., might be sufficient to enable the bank to arrive at definite conclusions as to profits, it is, at the same time, very convenient to know what class of business is being worked at a profit and what at a loss. These accounts would be posted from the vouchers passed by the teller and from the entries in the Accountant's Cash Book. The balances should of necessity agree with those of the General Ledger, and thus an itemized record of the increase or decrease for each day is preserved.

Similarly, when a bank issues a Credit, under which it agrees to cash certain drafts, or to provide funds for these elsewhere, it must show the total amount it is liable for in the General Ledger, and yet keep such accurate record of all drafts on each Credit as to tell at once when the Credit is exhausted, and so guard against its being overdrawn.

Cash items on other points also require a word. These, when purchased by the teller, are often entered in detail in a Remittance Register, before being sent out in the various letters, in which case this book would become another feeder for the Day Book. But it is submitted that to enumerate the cheques, etc., in the Remittance Letter, or to specify them on a slip attached and state the amount in the letter, carrying the totals, obtained in either way, to the head office schedule, thence to the Day Book, would fulfil all that is practically necessary. Each branch would respond to the full amount and make a separate debit entry for any item it found necessary to return, while the item, when received by the original remitting agency, would

itself show the parties liable under its dishonor. All sterling items purchased should, however, be recorded with full particulars as to the parties, term, amounts in currency and sterling, and rate of exchange.

By what mechanism does an agency make use of its Profit and Loss Accounts so as to determine its earning powers, periodically? This mechanism has to be put in motion once a quarter. If Interest Account represented all interest

Suspense
Account

really earned, and if such accounts as taxes, stationery, etc., could be charged against any one quarter,

the question would be simple, and would resolve itself into the difference between the totals. But discount on bills maturing after the quarter, has not been really earned, and a certain amount must be due on Savings Bank Deposits and Deposit Receipts, while it is advisable to spread many expenses over the whole year. These questions of rebate of interest and proportional charges are settled by means of a Suspense or Adjusting Account. If Interest Account be debited for Rebate on Bills Discounted not due, for Interest due on Deposits, and Suspense Account credited with the same; and if Taxes, Stationery, Bank Premises, etc., be credited with the proportion written off and the amounts carried to the debit of Suspense Account, these accounts, together with such others as require no allowance, will then be in a position to be credited or debited to head office, which will assume the balance on either side, while Suspense Account continues to hold certain amounts which, at the following quarter, can be reversed to make way for others representing more exactly conditions then existing. This account also permits the carrying forward of amounts reserved to meet certain contingencies which, while not immediately pressing, are likely to become so at any time.

There are still some books which bear no direct relation to the scheme formulated for the others, but which in their own province are all important. First comes the Signature Book—ever necessary for reference. Then in the correspondence department are the Telegrams Book, in which is entered every open, and a translation of every code telegram despatched or received, a register for Letters Received and one for Letters Sent. Under the more especial

Other Books

care of the Agent, are the Opinion or Character Book with its revelations, the bank's Standing Instructions Book, the Register of Securities, containing an accurate description of all collaterals held, a Treasury Book—stating the amount of specie and Dominion Notes in reserve, a Safe Custody Register—for articles left with the bank as bailee, and his own Private Memorandum Book.

Very briefly, in closing, a review of the books suggested, and the method of using them, may be presented. Business has been considered as coming through the Teller's Cash Book, where it receives its first division into current account and miscellaneous vouchers. The former have gone to their respective accounts in the Current Account Ledger, and later into the Current Account Day Book, the totals of which have been agreed with those in the corresponding columns in the Teller's Cash Book—together with totals from Accountant's Cash Book if necessary. The latter have been recorded in their various registers as Deposit Receipts, Drafts Issued, etc., and have been passed on for correspondence purposes. For every entry in the Teller's Cash Book, for every entry in the Current Account Ledger, the necessity of a corresponding voucher has been indicated. Provision has been made for recording all bills bought by the bank, or held by the bank for collection purposes, in their respective registers, and the uses of the diaries pointed out. The dependence on head office has been made use of for the purpose of passing all business pertaining to other branches or correspondents through it by means of a specially adapted schedule; and a method of journalising correspondence matters, in a manner uniform with the Teller's Cash Book, has been recommended in the Accountant's Cash Book. Over all, as a means of account, has been placed the Day Book, compiled from the records made during the day in Registers, and on the head office Schedule, its totals easily proved by comparison with the totals of the miscellaneous columns in the two Cash Books, and its debit and credit sides agreeing when the additions of opening and closing notes and cash and the totals of the Current Account Day Book have been made. Its totals again have been conveyed into the General Ledger, from which

a balance sheet of the agency can be obtained as often as required. The possibility of subdivision of the accounts in the latter has permitted the adoption of a separate ledger for Profit and Loss Accounts, and indeed, wherever subdivision is beneficial or necessary. By the use of a Suspense Account it has been shown how the last-mentioned accounts have been condensed and made to indicate the desired result for which the agency was opened.

It is scarcely to be hoped that all possible difficulties have been provided for, or even that the daily routine, as indicated, would not show some flaws when put in practice; but it is believed that the method of book-keeping suggested fulfils, to some extent, the conditions laid down in the earlier part of the paper—that it should be simple, that it should be elastic, and that it should be broad enough in its general features to cope with the ordinary wants of a country bank agency.

RETURNS

Behind every motive power which makes for usefulness must lie a guiding intelligence. The speed of the locomotive is regulated by the engineer, with his hand on the throttle and his eye on the steam gauge; the ship weathers the storm because the sailor's watchfulness has noted the falling barometer and all has been made snug; and so behind the books and book-entries of a whole banking institution lie controlling mind and hand. The embodiment of these is in the persons of the Directors and General Manager, who are entrusted by the shareholders with the general oversight and administration of the bank. What the heart is to the arterial system this management is to branches and agencies. If there is a demand for money in one quarter and a surplus in another, the cases must be adjusted; if there is a drain at one point the centre will feel it; and so, if the central administration be weak or vitiated, the inevitable results will be felt to the most outlying agency.

If, then, administration is to be capable and creditable, it can only be based upon such returns from each branch or agency as will present the condition of business vividly, concisely and reliably. When Mr. Gilbert speaks of "weekly returns of all transactions," and a "half-yearly balance sheet with full sup-

plementary details," one fears that he must have been thinking of a solitary case, and had no prophetic vision as to the possibilities of branch banking. If the object of returns be to furnish the head office with a duplicate set of books—an object of doubtful utility—all transactions might be forwarded once a week; but, if returns are to avoid beclouding the intelligence of the management with a mass of undigested details, the weekly ones must be summaries only, and a balance sheet must go forward more often than "half-yearly." If the government of an institution be by rule, if capacity be a *sine qua non* in a branch manager, and if a thorough inspection be made periodically, it is suggested that the following returns—weekly, monthly, quarterly—will be found ample.

From the consideration of these may be left out the requirements of the Bank Act, set forth in paragraph 85, and involving the use of schedule "D," as appended thereto. Whatever else may be supplied by the branches, this must be transmitted to head office, in order that the condition of the institution may be laid before the Minister of Finance and Receiver-General in accordance with law.

If the bank is in the habit of "balancing" weekly, an agency can transmit a copy of its balance sheet at the end of each week; but, if otherwise, then it must be furnished twice a month. However, with or without a balance sheet, a daily abstract¹ should be sent. This is kept on the horizontal principle, and will show six days, for each day the balance recorded by the General Ledger on demand deposits, time deposits, other immediate liabilities, head office, loans, bills discounted, past due bills, specie, Dominion notes (the two latter being cash on hand), own notes on hand. The entries for six days having been footed, the totals of the previous week are placed underneath, and the increase or decrease shown in separate columns. By using such a statement an average for all branches, under each account indicated, can be shown, at the cost of very little clerical labor at head office, and, by preserving the returns on file, any essential details can be found for any day of the year

Weekly
Returns

¹Specimen ruling on p. 179.

in a few minutes. In addition, an agency should forward a list of bills discounted,¹ of new loans, with their security, of overdrafts, if any, and of the new additions to the past due bill account, with such as have been taken out of the same during the week. If the purchase of Sterling Exchange be a feature of any importance in the agency, a list of such bills should also be included. Beyond these regular returns, which permit of a finger being kept on the pulse of the agency, and with special reports supplied as required, other details would scarcely be commensurate in value with the time and labor involved in their preparation.

The Monthly Return is founded upon the balance sheet, which constitutes its main feature. For every item appearing on the latter a statement should be given showing, in more or less detail, how the result is arrived at. If weekly returns of Bills Discounted, Loans, etc., have been sent as suggested, it will not be necessary to recapitulate such details, but in their place a comprehensive statement of Individual Liabilities² must be prepared, showing, in alphabetical order, the names of parties liable for amounts (1) as in Liabilities Ledger (Bills Discounted and Loans); (2) on Foreign Bills Purchased; (3) on Past Due Bills; (4) on Overdrafts. A synopsis of the head office account³ should be given, the total of transactions under the various daily headings appearing, and a synopsis of each profit and loss account prepared in a similar way. A list of the balances in Current Accounts should be furnished, a list of the Deposit Receipts issued during the month, and of the Foreign Bills Purchased. Minor accounts may very well be shown in their totals, the principle underlying all being that, while the volume of business is shown in all cases, details are only given when it is necessary to form judgment upon the relations of the bank and the community, and the local administration with regard to such.

The Quarterly Returns must embrace, first, a statement of the entries which have been made through the medium of Suspense Account to determine profits, since the Directors and

¹ Specimen ruling on p. 180; ²p. 181; ³p. 182.

Quarterly
Returns

General Manager must be certain that due provision has been made for contingent expenses and liabilities before feeling at liberty to declare a dividend—when that time comes. The returns must, in the second place, show each piece of paper held by the agency, with the agent's report upon the parties liable upon it. The necessity for supplying such information at least once in three months is apparent when it is reflected that that period usually covers the longest dated bills, and a quarterly return would ensure a report on all. In more detail these returns are Bills Discounted, showing endorser's name, his total liability and the amounts, with acceptor's names and due dates, constituting that liability; Past Due Bills, treated similarly; Loans, showing amounts separately and borrower's total liability, with terms, due dates and security; Collateral Bills, showing on whose account held and particulars of each bill; Foreign Bills Purchased, showing drawer, drawee, place where payable, term, due date, amount and commission received. In fact, each return is supposed to be thoroughly exhaustive of its class, not, perhaps, with the intention altogether of enlightening the management of the institution as to every bill—since opportunities have been given of reporting more often—but to impose a feeling of restraint upon an agent in recognizing that his operations are subject to criticism from higher quarters. There is, unfortunately, sometimes need for a quarterly report upon some phase of business which is likely to prove more or less detrimental to the interests of the bank. Needless to say it requires every detail to be carefully transmitted to head office.

Such returns are at once independent of, and supplementary to, each other, and, with an officer "skilled in the administrative department of good government" at the head of affairs, would probably permit fairly accurate conclusions to be formed as to how the agency was meeting the business demands imposed upon it.

F. M. BLACK

BANK OF BRITISH COLUMBIA, Vancouver

SPECIMEN RULING OF TELLER'S CASH BOOK, ACCOUNTANT'S CASH BOOK AND DAY BOOK (MISCELLANEOUS). For the latter omit the headings of the columns for amounts.

Particulars.	Miscellaneous.	Current Account.

SPECIMEN OF LEDGER RULING ON COLUMNAR OR PROGRESSIVE PRINCIPLE, PARTICULARLY AS USED FOR CURRENT ACCOUNT LEDGER.

Date.	Particulars.	Debit.	Credit.	Balance.	Interest.

SPECIMEN RULING FOR DISCOUNT REGISTER. (The Loan Register is similar, but more condensed and shows security held.)

Date.	No.	Endorser.	Acceptor.	Other Endorsers.	Payable.

Continued.

Amount.	Daily Total.	Date.	Term.	Due.	Rate.	Interest.	Commission.

DAILY ABSTRACT, FORWARDED WEEKLY

Date	Demand Deposits.	Time Deposits.	Other Immediate Liabilities.	Head Office.	Loans.
Jan. 1					
2					
3					
4					
5					
6					
Total					
" previous week					
Increase					
Decrease					

Continued.

Bills Discounted.	Past Due Bills.	Specie.	Dominion Notes.	Own Notes.

WEEKLY RETURN. BILLS DISCOUNTED.

When Discounted.	No.	For Whom Discounted.	On Whom.	Due.

Continued.

Amount.		Term.	Rate.	Discount.
Original.	Renewed.			

MONTHLY RETURN. LIABILITIES OF PARTIES.

Parties.	Total.	Bills Discounted and Loans.	Foreign Bills Pur- chased.	Past Due Bills.	Overdrafts.

MONTHLY RETURN OF STERLING EXCHANGE BOUGHT OR FOREIGN BILLS PURCHASED.

When Purchased.	No.	From Whom Purchased.	On Whom (and place.)	Amount in Sterling.

Continued.

Amount in Dollars.	Time to Run.	Rate of Exchange.	Profit.	Loss.

SPECIMEN OF HEAD OFFICE SCHEDULE

(Memoranda.)

DEBIT X AGENCY.	CREDIT X AGENCY.
Drafts on.....Branch..... do do do	A/c.....Branch Cheques remitted..... Bills for collection advd.....
A/c.....Branch Cheques received..... Bills for collection paid..... A/c. Branch..... For credit of..... Etc., etc., etc.	A/c.....Branch Drafts paid as per advice..... Etc., etc., etc.
\$ _____	\$ _____

THE REVERSAL OF FIGURES

REVERSALS of figures occasionally occur in the mechanical part of banking work, and much time, otherwise spent in calling-over, may be saved if the rules for their detection are known.

In the first place it should be remarked that the difference between a number and a reversal of it, or some portion of it, is invariably exactly divisible by 9, consequently a difference that is not divisible by 9, cannot be caused by a reversal.

When the difference is 9, it is caused by the reversal of the digits of some number, less than 100, in which one of the digits is greater than the other by 1. These numbers are

10, Reversal of	01	} Difference in each case, 9.
21, "	12	
32, "	23	
43, "	34	
54, "	45	
65, "	56	
76, "	67	
87, "	78	
98, "	89	

It should be borne in mind that a difference may have its origin in the reversal of a portion of a number only, thus, 1754 written down instead of 1745, will give a difference of 9.

The two-figure differences that are exact multiples of 9, and therefore the only ones that can be produced by reversals, are 18, 27, 36, 45, 54, 63, 72, 81, 90 and 99. One of these, 99, will be treated of separately later on, and in the case of another, 90, what is stated above about the difference 9 will apply, if the numbers be multiplied by 10. In attempting to locate a reversal giving a difference of 90, the attention should be confined to those numbers in which the hundred digit is greater by 1 than the ten digit, the unit digit, whatever it may happen to be, being disregarded.

The remaining numbers are differences produced by the reversal of the series of numbers in which one of the digits is greater than the other by the quotient of the original difference when divided by 9. Example: if the difference be 36, the series will be those numbers in which one figure is greater than the other by 4, *i.e.*, 40, 51, 62, 73, 84, 95, which are the reversals respectively of 04, 15, 26, 37, 48 and 59, the difference in each case being 36.

99 is the difference caused by the reversal of the hundred and unit digits of those numbers in which one of the named digits is greater than the other by 1, the ten digit remaining unchanged. These numbers are 100, 201, 302, 403, 504, 605, 706, 807, 908, in all of which the centre cipher may be replaced by any other digit.

The solution of three-figure differences is somewhat more complicated, but, when the principles are once understood, comparatively easy:

(i) When the difference terminates in

(a) a cipher—it can be solved on the lines suggested for two figure differences.

(b) two ciphers (the only possible case is 900)—it is solved as suggested for 9.

(ii) When the difference, in addition to being divisible by 9, is also divisible by 99 (in which case the centre figure of the difference will always be a 9, and the sum of the two other digits amount to 9), it will be found to be caused by the reversal of the hundred and unit digits of those numbers in which one of the named digits is greater than the other by the quotient of the original difference when divided by 99. Example: if the difference be 495, the series will be 500, 601, 702, 803 and 904, in all of which the centre cipher may be replaced by any other digit.

The three-figure differences that are divisible by 99 are 198, 297, 396, 495, 594, 693, 792, 891 and 990, the last one being treated in the same way as 99.

(iii) When the difference is not divisible by 99, or does not terminate in a cipher. Differences such as these are caused by a reversal in position of all three digits of the original number, and will be but rarely met in practice. If *abc* be supposed to represent the position of the digits of the original number,

the possible reversals of this kind will be bca and cab . If the difference to be solved be 342, then

$$(i) \ abc - bca = 342.$$

$$(ii) \ abc - cab = 342.$$

In each case let a cipher be substituted for c , then

$$(i) \ abo - boa = 342.$$

$$(ii) \ abo - oab = 342.$$

In (i) it is evident that a must be 8, and in (ii) that b must be 8, then

$$(i) \ 8bo - bo8 = 342.$$

$$(ii) \ a8o - oa8 = 342.$$

In (i) b will be found to be 5, and in (ii) a to be 3, therefore

$$(i) \ 850 - 508 = 342.$$

$$(ii) \ 380 - 038 = 342.$$

Each of these numbers, thus obtained, is the lowest of a series formed by adding 1 to each digit until one or other of them becomes 9, when the series terminate. Thus

(i)	850, Reversal	508	} Difference in each case, 342.
	961, "	619	
(ii)	380, "	038	
	491, "	149	

Again, by substituting the cipher for b instead of c , the equations become

$$(i) \ aoc - oca = 342.$$

$$(ii) \ aoc - cao = 342.$$

In (i) c is 6, and in (ii) c is 2, then

$$(i) \ a06 - 06a = 342.$$

$$(ii) \ a02 - 2a0 = 342.$$

In (i) a is now found to be 4, and in (ii) to be 6, therefore

$$(i) \ 406 - 064 = 342.$$

$$(ii) \ 602 - 260 = 342.$$

The series can now be completed as before.

(i)	406, Reversal	064	} Difference in each case, 342.
	517, "	175	
	628, "	286	
	739, "	397	
(ii)	602, "	260	
	713, "	371	
	824, "	482	
	935, "	593	

The substitution of the cipher for *a* will give two of the above results, when *abc* is subtracted from *bca* and *cab*.

There remains one three-figure difference, 999, of which to treat. It is produced by the reversal of the first and last digits of those four-figure numbers in which one of the named digits is greater than the other by 1. Of four-figure differences nothing need be said, as their occurrence is extremely rare.

Thus far, it will be noticed, the differences mentioned have been spoken of as *numbers*, but the application of the methods suggested to the solution of reversals of *amounts*, in a decimal currency, is obvious.

A short explanation of the methods by which sterling differences can be solved, may not be out of place. If the reversal is confined to the figures representing the pounds, the methods explained above will enable the difference to be solved. There remain

- (i) Reversals of shillings and pence.
- (ii) Reversals of pounds and shillings.
- (iii) Reversals of pounds and pence.

(i) *Reversals of shillings and pence.* In this case the difference will be 11d. or a multiple of 11d. The quotient, when the difference is divided by 11, gives the number of pence which is less than the same number of shillings by the amount of the original difference. These having been found, the remainder of the series can be constructed by adding 1 to the shillings and to the pence, until one or other of them becomes 11, when the series terminates. Example: if the difference be 3s. 8d., then 44d. $\div 11 = 4$. The series is, therefore,

4s. od.,	Reversal	os. 4d.	} Difference in each case, 3s. 8d.
5s. 1d.,	"	1s. 5d.	
6s. 2d.,	"	2s. 6d.	
7s. 3d.,	"	3s. 7d.	
8s. 4d.,	"	4s. 8d.	
9s. 5d.,	"	5s. 9d.	
10s. 6d.,	"	6s. 10d.	
11s. 7d.,	"	7s. 11d.	

(ii) *Reversals of pounds and shillings.* The difference will always be 19s., or a multiple of 19s. (easily recognizable from the fact that the numbers representing the pounds and the shillings, when added together, will give a total of 19). The quotient,

when the difference in shillings is divided by 19, is the number of shillings that, subtracted from the same number of pounds, gives the original difference in question. The series is completed as before described. Example: if the difference be £5 14s. od.; then $114s. \div 19 = 6s.$ The series is

£	s.	d.		£	s.	d.	
6	0	0	Reversal	0	6	0	
7	1	0	"	1	7	0	
8	2	0	"	2	8	0	
9	3	0	"	3	9	0	
10	4	0	"	4	10	0	
11	5	0	"	5	11	0	
12	6	0	"	6	12	0	
13	7	0	"	7	13	0	
14	8	0	"	8	14	0	
15	9	0	"	9	15	0	
16	10	0	"	10	16	0	
17	11	0	"	11	17	0	
18	12	0	"	12	18	0	
19	13	0	"	13	19	0	

Difference
in each case,
£5 14s. od.

This series comes to an end when one of the numbers becomes 19.

(iii) *Reversals of pounds and pence.* The difference in this case will be 19s. 11d., or a multiple of this amount. The quotient, when the difference is divided by 19s. 11d., gives the number of pence that subtracted from the same number of pounds gives the original difference in question. The series is then completed in the usual way. Example: if the difference be £7 19s. 4d., this amount divided by 19s. 11d., gives 8 as the quotient; the series is then found to be

£	s.	d.		£	s.	d.	
8	0	0	Reversal	0	0	8	
9	0	1	"	1	0	9	
10	0	2	"	2	0	10	
11	0	3	"	3	0	11	

Difference
in each case,
£7 19s. 4d.

This series comes to an end when one or other of the numbers becomes 11.

F. D. HENDERSON

BANK OF BRITISH NORTH AMERICA, Montreal

PRIZE ESSAY COMPETITION, 1897

THE following subjects have been selected by the Committee for the next Prize Essay Competition :

SENIOR COMPETITION

Point out what constitutes unwise competition between banks ; and describe the effect of outside competition, on the part of Government, Loan Companies, Express Companies, and financial corporations generally : and suggest remedies.

A first prize of	-	-	-	-	\$100
A second prize of	-	-	-	-	60

JUNIOR COMPETITION

State comprehensively the duties and responsibilities connected with the Bill Department of a bank, including those relating to

- 1 *Discount Department*
- 2 *Collection Department*
- 3 *Foreign Exchange Department*

A first prize of	-	-	-	-	\$60
A second prize of	-	-	-	-	40

Competitors eligible for the senior competition will comprise managers and senior officers who have had a banking experience of not less than 10 years.

Competitors eligible for the junior competition will comprise all under 28 years of age, whose banking experience does not reach 10 years.

The essays in either subject are not to exceed 7,500 words. *All essays must be typewritten*, having the writer's nom-de-plume or motto, also typewritten, subscribed thereto, and be lodged with the Secretary-Treasurer not later than the 30th day of April.

The address on the envelope containing the essay must be typewritten and to insure identification of the essayist, a

separate sealed envelope, containing the name, rank, and place of employment of the competitor, and with his nom-de-plume or motto on the outside, must accompany the essay.

A special Committee will examine the essays and decide the prize-winners.

The prize essays will remain the property of the Association.

The envelopes of successful competitors only will be opened, except on request.

F. WOLFERSTAN THOMAS,
President

Montreal, 19th Dec., 1896

THE DEPOSIT OF VALUABLES WITH BANKERS FOR SAFE CUSTODY

AS a result of the decision in the case of *Langtry v. Union Bank*,* the Central Association of Bankers in London appointed a sub-committee to consider the question of the precautions which should be taken by bankers in accepting valuables for safe keeping. The report of this committee, which has been adopted by the Association, will be read with interest. It is as follows :

The settlement of the action brought by Mrs. Langtry against the Union Bank of London for the box of jewels deposited by her with them for safe custody, has again brought to the front the question of the extent of a banker's liability in these cases.

It is necessary to distinguish between cases in which valuables are by mistake delivered to the wrong person (as in Mrs.

*See JOURNAL, vol. III, p 196.

Langtry's case), and cases in which they are destroyed, lost, stolen or fraudulently abstracted, whether by an officer of the bank or by some other person.

The best legal opinion appears to be that, in the former case, the question of the negligence of a bailee does not arise, that the case is one of wrongful conversion of the goods, and that the bank is liable for this wrongful conversion apart from any question of negligence.

The liability of the banker when the valuables are destroyed by fire, or lost, or stolen, whether by an officer of the bank or by a stranger, depends upon the question of the negligence of a bailee. The better opinion seems to be that when a banker takes charge of a locked box supposed to contain valuables (the contents of which, however, are not known to the banker and to which he has no access), he would be held to be a gratuitous bailee and would not be liable in any of these cases, if he has used the care which an ordinarily prudent man would take of his own valuables. The question whether this amount of care has been used would necessarily be a question for the jury in each case.

While in the opinion of Council it is possible for a banker, by special contract made with his customer at the time of the deposit, to contract himself out of his liability, the opinion of your Committee is that this would be generally impossible in practice, and, where not impossible, inadvisable; and that the liability can only be guarded against by precautions taken by the banker. Obviously if the box is re-delivered to an agent the banker must be satisfied that the agent has the necessary authority, and he should be identified if he is not known.

The practice of bankers as to giving a receipt for these boxes and requiring the receipt to be returned on re-delivery, varies, and even where this is done it may be open to question whether it is desirable to state on the face of the receipt the formalities to be complied with when application is made for re-delivery.

On the whole your Committee consider that the use of a receipt is desirable, and they suggest the form annexed hereto. If it is thought desirable to attempt by the conditions of the receipt to relieve the banker from legal liability, the terms of the document would have to be very definite, and it would be desirable that the customer should sign it on making his deposit.

FORM OF RECEIPT

The _____ Bank, Limited

Received this _____ day of _____ 189____
 from [name of depositor] _____
 of [address of depositor] _____

Here insert
 description
 of articles
 deposited.

to be placed in the Bank's strong room.

NOTE.—Please produce this acknowledgment when you call for the articles above specified, and if you do not attend personally, be good enough to fill up the form on the other side.

(TO BE ENDORSED ON THE RECEIPT)

Sir,—

Please deliver to bearer, Mr. _____
 the articles mentioned on the other side.

Signature _____

Residence _____

Date _____

—

In connection with the above report the following letter which appeared in a recent number of *The Economist* will be read with interest:

“As an old reader of your valuable journal, I noticed in your issue of 7th inst. that the Central Association of Bankers had decided that, in the case of *Langtry v. Union Bank of London*, the latter were well advised to settle. This, I believe, was your view all along, and it seems to me to be in accord with common sense. After an experience of forty years in the craft, I consider that a banker can no more ask for relief from the result of parting with a customer's securities on a forged order than he can for paying away a customer's balance on a similar document. A jury would condemn him, and the public would avoid his bank.

“I much regret to notice that the Association suggests the

issuing of receipts. The idea that they afford any security to the banker has been proved by experience in the past to be an exploded notion. They complicate matters; and, in my opinion, would assist designing persons. They were frequently lost or mislaid, to say nothing of the ability to forge them entirely. You could not refuse to surrender a security without their production, and their being lost or mislaid was of very frequent occurrence; so much so that the practice of issuing them at all in London fell into desuetude, and I trust, for the sake of the banks, that it will so remain. I remember that one of the large banks had a customer who died, and whose executors found among his papers no fewer than eight receipts for one box each. Numerous officials of the bank and the executors' accountants were engaged for weeks in making it clear that they all related to the same box. Lately the manager of one of the largest Scotch banks informed me that they have a book of receipts, and should some peculiar customer press for one they give it. They have issued three receipts in five years. A receipt would not have saved the Langtry box, as the forger would no doubt have been aware of it, and have had it ready. Experience shows such an incident as this loss may arise perhaps in a century. The plan in vogue now has therefore been proved to be as good as can be arranged. From interviews I have had, I believe that practical London managers deprecate such receipts. Let us, therefore, let well alone, or we may fly to ills we know not of."

NOTES AND COMMENT

To WHAT extent the recent election in the United States was a triumph for the cause of sound money is a question which has been much debated for some time past both in Europe and America.

The acclaims of the victors moderated as the final returns indicated a less sweeping victory than had seemed assured in the first few hours after the contest, until many of them came at length to doubt whether after all the result was a sufficiently decisive one to warrant complete confidence in the future stability of the currency. It was found on summing up that 6,350,000 votes had been polled for Bryan as against but 7,100,000 for the nominee of the sound money party, and much stress has been laid upon the fact—somewhat startling at first sight—that it only required the reversal of 375,000 votes out of a total of 13,450,000, to have carried the country for silver. That the issue does not hang by any such slender thread, however, can be seen by an analysis of the election results as we here record them¹:

RESULTS IN STATES CARRIED BY THE REPUBLICANS

	Majority in 1892	Majority in 1896	Perc. of total vote polled by successful party in 1896	Number of votes for Pres't accord'd to the respec- tive States
California	<i>150</i>	2,000	50.04	9
Connecticut	<i>5,000</i>	63,000	*67.	6
Delaware	<i>500</i>	4,000	56.	3
Illinois	<i>27,000</i>	144,000	*57.	24
Indiana	<i>7,000</i>	18,000	52.	15
Iowa	<i>23,000</i>	70,000	*57.	13
Kentucky	<i>40,000</i>	300	50.01	13
Massachusetts ...	<i>26,000</i>	190,000	*76.	15
Maryland	<i>21,000</i>	32,000	*57.	8
Maine	<i>15,000</i>	48,000	*71.	6
Michigan	<i>20,000</i>	56,000	*56.	14

¹ Italics throughout represent Democratic majorities.

	Majority in 1892	Majority in 1896	Perc. of total vote polled by successful party in 1896	Number of votes for Pres't accord'd to the respec- tive States
Minnesota.....	22,000	54,000	*58.	9
New Hampshire.	4,000	36 000	*75.	4
New Jersey	15,000	88,000	*64.	10
New York.....	45,000	280,000	*60.	36
North Dakota ...	200	5,000	56.	3
Ohio	1,000	52,000	*53.	23
Oregon	8,000	2,000	51.	4
Pennsylvania ...	64,000	306,000	*63.	32
Rhode Island ...	2,000	24,000	*73.	4
Vermont	21,000	41,000	*84.	4
West Virginia ...	4,000	12,000	53.	6
Wisconsin.....	6,000	103,000	*62.	12
Electoral votes				273

RESULTS IN STATES CARRIED BY THE DEMOCRATS

Alabama	53,000	52,000	70.	11
Arkansas	41,000	72,000	74.	8
Colorado	15,000	132,000	86.	4
Florida	25,000	19,000	71.	4
Georgia.....	81,000	34,000	61.	13
Idaho.....	2,000	17,000	79.	3
Kansas	6,000	13,000	52.	10
Louisiana	61,000	59,000	81.	8
Missouri	41,000	59,000	54.	17
Mississippi	30,000	53,000	94.	9
Montana	1,000	33,000	81.	3
Nebraska	4,000	13,000	52.	8
Nevada	4,000	6,000	80.	3
North Carolina..	32,000	19,000	53.	11
South Carolina...	41,000	53,000	92.	9
South Dakota...	8,000	200	50.1	4
Tennessee	38,000	15,000	52.	12
Texas.....	140,000	202,000	70.	15
Utah... ..		54,000	84.	3
Virginia.....	50,000	20,000	53.	12
Washington	7,000	13,000	57.	4
Wyoming	1,000	500	51.	3
Electoral votes				174

The Southern States have never since the war failed to give a united support to the Democratic party, the application of the term "the solid south" having been always literally correct. The strength mustered in some of these states by the Republicans has been ridiculously small, and the circumstances out of which this allegiance to the one party grew were such as

to render it a foregone conclusion that the mass of the Southern States would support the Democrats, whatever policy the party managers might succeed in foisting upon them. And many of the Western States being deeply interested in the silver mining industry, it was therefore upon the condition of public opinion in the Eastern and middle Western States that the issue between free silver and sound currency almost entirely depended, and it is to the outcome here that it is necessary to look in order to determine the character of the Republican victory and the present strength of the cause of sound currency.

Of 18 states bounded by lines drawn south-east and north-west from a point on the Mississippi, and answering to the description of the east and middle-west, 8 were carried by the Democrats in 1892, while the remaining 10 went Republican by majorities in most cases but moderate—in 2 insignificant. In the election of November last, of these 18 states the Democrats were able to hold not a single one, while for the first time in 30 years the line of the solid south was broken—at Kentucky and West Virginia.

In all, 23 states were carried by the Republicans. 16 of these (those marked * in the foregoing table), being comprised in the 18 referred to in the preceding paragraph, would have sufficed to elect the President. It will be seen that in only 1 of these 16 states was the vote polled by the Republicans less than 56%, the range being from 56 to 84%. It is, perhaps, necessary to consider with these figures the actual majorities in the states to which they respectively pertain in order to see how substantial they are.

In the 23 states carried by the Republicans the total vote was: for McKinley, 5,550,000; for Bryan, 3,850,000; while in the 16 of these states possessing a majority vote for the Presidency, the totals were: McKinley, 4,900,000; Bryan, 3,250,000. These figures afford the best index of the present strength of the cause of sound currency, and bearing in mind that in the states to which they refer the total vote was in 1892 almost evenly divided, and that, as is always the case, the great mass of the electorate vote for a party and not for a policy, surely a greater triumph could not have been hoped for than is reflected in the vote of that portion of the country which now comprises

a "solid east and middle-west." The Bryan party must be keenly conscious of the fact that with one exception no Presidential candidate since the war has received such a crushing defeat. Why then should not the victors be content?

—

Whether the agitation for free silver can retain sufficient vitality to make it again an issue at the next election, is a question upon which it would be useless for anyone to venture a prediction at the present time. A good deal will probably turn upon whether and in what manner the currency problem is dealt with by the new administration, but with the advent of another period of prosperity it would no doubt be quite impossible for the advocates of silver to force another serious contest in the near future.

In the opinion of many thoughtful men, however, the free silver agitation is but one form in which expression is being given to the discontent prevailing among the poorly endowed elements of the community. It is urged that while discontent is invariably rife among this class in every country during bad times, under the conditions existing in the United States the distress among the masses is aggravated and the consequent disaffection rendered more pronounced, while under the American institutions a power is placed in the hands of the uneducated which they are beginning to utilize to the danger of the State, in a struggle to remedy the inequalities of things. The recent election was the first marked illustration of this. The issue turned entirely upon the financial question, and in deciding it the vote of the illiterate had the same weight as that of the educated. It is a notable fact, too, that in the States carried by Bryan the percentage of the illiterate was about 20 as against 7 in those carried by McKinley.

In this connection we subjoin the text of some recently disclosed* letters written in 1857 by Lord Macaulay to Hon. H. S. Randall, author of the *Life of Jefferson*, which contain some prophecies concerning the outcome of the American form of

**Gunton's Magazine*, Sept., 1896.

government and American institutions which, read in the light of recent events, are altogether remarkable :

HOLLEY LODGE, KENSINGTON,

LONDON, May 23rd, 1857

DEAR SIR,—The four volumes of the "Colonial History of New York" reached me safely. I assure you that I shall value them highly. They contain much to interest an English as well as an American reader. Pray, accept my thanks, and convey them to the Regents of the University.

You are surprised to learn that I have not a high opinion of Mr. Jefferson, and I am surprised at your surprise. I am certain that I never wrote a line, and that I never in Parliament, in conversation or even on the hustings—a place where it is the fashion to court the populace—uttered a word indicating an opinion that the supreme authority in a state ought to be entrusted to the majority of citizens told by the head; in other words, to the poorest and most ignorant part of society. I have long been convinced that institutions purely democratic must, sooner or later, destroy liberty or civilization, or both.

In Europe, where the population is dense, the effect of such institutions would be almost instantaneous. What happened lately in France is an example. In 1848 a pure democracy was established there. During a short time there was reason to expect a general spoliation, a national bankruptcy, a new partition of the soil, a maximum of prices, a ruinous load of taxation laid on the rich for the purpose of supporting the poor in idleness. Such a system would, in twenty years, have made France as poor and barbarous as the France of the Carolingians. Happily, the danger was averted; and now there is a despotism, a silent tribune, an enslaved press. Liberty is gone, but civilization has been saved. I have not the smallest doubt that, if we had a purely democratic government here, the effect would be the same. Either the poor would plunder the rich and civilization would perish, or order and prosperity would be saved by a strong military government, and liberty would perish. You may think that your country enjoys an exemption from these evils. I will frankly own to you that I am of a very different opinion. Your fate I believe to be settled, though it is deferred by a physical cause. As long as you have a boundless extent of fertile and unoccupied land, your laboring population will be far more at ease than the laboring population of the old world, and, while that is the case, the Jefferson politics may continue to exist without causing any fatal calamity. But the time will come when New England will be as thickly populated as old England. Wages will be as low, and will fluctuate as much with you as with us. You will have your Manchesters and Birminghams, and in those Manchesters and Birminghams hundreds of thousands of artisans will assuredly be sometimes out of work. Then, your institutions will be fairly brought to the test. Distress everywhere makes the laborer mutinous and discontented, and inclines him to listen with eagerness to agitators who tell him that it is a monstrous iniquity that one man should have a million while another cannot get a full meal. In bad years there is plenty of grumbling here, and sometimes a little rioting. But it matters little. For here the sufferers are not the rulers. The supreme power is in the hands of a class, numerous indeed, but select; of an educated class; of a class which is, and knows itself to be, deeply interested in the security of property and maintenance of order. Accordingly, the malcontents are firmly yet gently restrained. The bad time is got over without robbing the wealthy to feed the indigent. The springs of national prosperity soon begin to flow again: work is plentiful, wages rise, and all is tranquillity and cheerfulness. I have seen England pass three or four times through such critical seasons as I have described. Through such seasons the United States will have to pass in the course of the next century,

if not of this. How will you pass through them? I heartily wish you a good deliverance. But my reason and my wishes are at war, and I cannot help foreboding the worst. It is quite plain that your government will never be able to restrain a distressed and discontented majority. For with you the majority is the government, and has the rich, who are always a minority, absolutely at its mercy. The day will come when, in the State of New York, a multitude of people, none of whom has had more than half a breakfast, or expects to have more than half a dinner, will choose a legislature. Is it possible to doubt what sort of a legislature will be chosen? On one side is a statesman teaching patience, respect for vested rights, strict observance of public faith. On the other is a demagogue ranting about the tyranny of capitalists and usurists, and asking why anybody should be permitted to drink champagne and to ride in a carriage, while thousands of honest folks are in want of necessities. Which of the two candidates is likely to be preferred by a workingman who hears his children cry for more bread? I seriously apprehend that you will in some such season of adversity as I have described, do things which will prevent prosperity from returning; that you will act like people who should in a year of scarcity devour all the seed corn, and thus make the next a year, not of scarcity, but of absolute famine. There will be, I fear, spoliation. The spoliation will increase the distress. The distress will produce fresh spoliation. There is nothing to stop you. Your Constitution is all sail and no anchor. As I said before, when a society has entered on this downward progress, either civilization or liberty must perish. Either some Cæsar or Napoleon will seize the reins of government with a strong hand, or your government will be as fearfully plundered and laid waste by barbarians in the 20th century as the Roman was in the fifth, with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, and that your Huns and Vandals will have been engendered within your own country by your own institutions.

Thinking thus, of course I cannot reckon Jefferson among the benefactors of mankind. I readily admit that his intentions were good and his abilities considerable. Odious stories have been circulated about his private life; but I do not know on what evidence those stories rest, and I think it probable that they are false and monstrously exaggerated. I have no doubt that I shall derive both pleasure and information from your account of him.

I have the honor to be, dear sir, your faithful servant,

T. B. MACAULAY

H. S. RANDALL, Esq., etc., etc., etc.

HOLLEY LODGE, KENSINGTON,

October 9, 1858

SIR:—I beg you to accept my thanks for your volumes, which have just reached me, and which, as far as I can judge from the first hasty inspection, will prove both interesting and instructive.

Your book was preceded by a letter, for which I have also to thank you. In that letter you expressed, without the smallest discourtesy, a very decided dissent from some opinions which I have long held firmly but which I should never have intruded on you except at your own earnest request, and which I have no wish to defend against your objections.

If you can derive any comfort as to the future destinies of your country from your conviction that a benevolent Creator will never suffer more human beings to be born than can live in plenty, it is a comfort of which I shall be sorry to deprive you. By the same process of reasoning one may arrive at many very agreeable conclusions, such as that there is no cholera, no malaria, no yellow fever, no negro slavery, in the world. Unfortunately for me, perhaps, I learned from Lord Bacon a method of investigating truth diametrically opposite to that which you appear to follow. I am perfectly aware of

the immense progress which your country has made and is making in population and wealth. I know that with you the laborer has large wages, abundant food, and the means of giving some education to his children. But I see no reason for attributing these things to the policy of Jefferson. I see no reason to believe that your progress would have been less rapid, that your laboring people would have been worse fed, or clothed, or taught, if your government had been conducted on the principles of Washington and Hamilton. Nay, you will, I am sure, acknowledge that the progress which you are now making is only a continuation of the progress which you have been making ever since the middle of the seventeenth century, and that the blessings which you now enjoy were enjoyed by your forefathers who were loyal subjects of the kings of England. The contrast between the laborer of New York and the laborer of Europe is not stronger now than it was when New York was governed by noblemen and gentlemen commissioned under the English great seal. And there are at this moment dependencies of the English crown in which all the phenomena which you attribute to purely democratic institutions may be seen in the highest perfection. The colony of Victoria, in Australia, was planted only twenty years ago. The population is now, I suppose, near a million, the revenue is enormous, near five million sterling, and raised without any murmuring. The wages of labor are higher than they are even with you. Immense sums are expended on education. And this is a province governed by the delegate of a hereditary sovereign. It, therefore, seems to me quite clear that the facts which you cite to prove the excellence of purely democratic institutions, ought to be ascribed, not to those institutions, but to causes which operated in America long before your Declaration of Independence, and which are still operating in many parts of the British Empire. You will perceive, therefore, that I do not propose, as you thought, to sacrifice the interests of the present generation to those of remote generations. It would, indeed, be absurd in a nation to part with institutions to which it is indebted for immense present prosperity from an apprehension that, after the lapse of a century, those institutions may be found to produce mischief. But I do not admit that the prosperity which your country enjoys arises from those parts of your policy which may be called, in an especial manner, Jeffersonian.

Those parts of your policy already produce bad effects, and will, unless I am greatly mistaken, produce fatal effects if they shall last till North America has 200 inhabitants to the square mile.

With repeated thanks for your present, I have the honor to be, sir, your faithful servant,

MACAULAY

The July number of the monthly statistical journal of Austria (*Statistische Monatschrift*), contains a review of a paper on the Canadian Banking System, read by Mr. S. M. Wickett, a graduate of Toronto University, before Professor Dr. Inama Sternegg, the President of the Central Commission in Vienna. Mr. Wickett briefly reviews the stringent financial conditions of three years ago, and after giving a concise account of the financial organization here obtaining, comparing the same with that in the American Union, emphasizes the importance of

a system of branch banks, or as he terms it, of a federalized bank organization for elasticity and for security in bank issues. Though not believing that the Americans will see fit to adopt our system, Mr. Wickett expresses the opinion that prospective reforms in the American banking laws will be on the lines of those in force in Canada.

A HISTORY OF BANKING IN ALL NATIONS

The publication of the work bearing the above title was a formidable task to undertake, and upon its most successful completion Mr. William Dodsworth, the able editor of the *New York Journal of Commerce and Commercial Bulletin*, deserves much praise and congratulation.

It is, as implied by the title, purely a *history* of banking. Of the general scheme of the work the editor remarks in a prefatory note that "the method of treatment adopted has been to pursue an impartial narrative of events, exhibiting the various banking and currency systems in their actions and results rather than to discuss them critically." That the object aimed at has been achieved in a manner which leaves nothing to be desired, appears to be the unanimous opinion of the reviewers.

The publication comprises four volumes, and in its thirteen divisions the following countries are dealt with, viz: United States, Great Britain, Russia, France, Italy, Spain, Belgium, Switzerland, Portugal, Roumania, Alsace-Lorraine, Canada, Germany, Austria-Hungary, Netherlands, Denmark, Norway, Sweden, Japan and China. Among the contributors are Prof. Sumner, of Yale University, who prepared the chapters on the United States; Henry Dunning Macleod, on Great Britain; Max Wirth, on Germany and Austria-Hungary; Prof. Dr. Richard Van Der Borgh, on the Netherlands; B. E. Walker, on Canada.

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

Deposit in Name of Deceased Minor

QUESTION 46.—A minor (resident in Ontario) dies leaving a balance in savings bank. Can the father of such minor draw the money? What is the legal course to pursue?

ANSWER.—Money at credit of a deceased depositor who was a minor at the time of his death, can only be legally drawn by his administrators duly appointed. There may be cases where it would be reasonable to pay the amount to the parents, but such payments could only be made at the bank's risk. Under the present procedure in the Surrogate Court letters of administration for an estate of trifling amount can be obtained at a nominal charge, we believe \$2.

Liability of Collecting Agent—Express Company

QUESTION 47.—A bank at Creditburg sent a promissory note for collection, addressed to "The Express Company, Duntown." The agent of the Express Company collected the note and remitted proceeds in error to an endorser on the note, instead of to the bank, which endorser made an assignment a few days afterwards.

Are the Express Company liable? Can they escape liability under the plea that the bank sent the note direct to the Express Company at Duntown instead of through the local agent at Creditburg?

Or is the agent only personally liable?

ANSWER.—Assuming that there were no instructions in the communication sent with the note which would justify the

remittance of the proceeds to the endorser, the Express Company or the agent would be liable to the owner of the note. As to which is liable would depend on the extent to which the Express Agent is the agent of the Company. It would seem to us that as the Express Company hold him out as their agent for their ordinary business, which includes the collection of money, they would be liable. They might say that a collection sent to him by mail from another point and not through the local agent, is not within the usual scope of their regular business, but we doubt very much if that affects the question of agency. He collected the money on their behalf, and the charge for the service was no doubt credited to them.

Identification of the Payee of a Cheque

QUESTION 48.—With reference to Question 43, appearing on page 95, vol. 4, of the JOURNAL, is the inference to be drawn from the answer thereto that it becomes a duty devolving upon the ledger-keeper before accepting a cheque payable to any specified person, to satisfy himself as to the identity of the said person, in order to insure the bank against the possibility of action being taken by him (the payee) on the ground of delayed payment.

ANSWER.—The question asked arises very naturally from the reply to Question 43, but we do not think that the change effected by accepting a cheque in the position of the bank towards the holder of it, involves consequences sufficiently serious to call for any change in the customary practice. The concluding part of the reply to Question 43 indicates that the bank would not suffer in costs or damages if it acts reasonably in the matter of requiring or procuring identification of the payee of a marked cheque.

Account in Name of Two Executors

QUESTION 49.—An account stands in the name of two executors. Is it not legal, according to the Bank Act, for either alone to draw?

ANSWER.—If the circumstances connected with the deposit show that it consists of moneys held by two executors as such, probably either may draw, though it is customary and safer to require both signatures. But if there is an express understanding that both are to sign, or if such an understanding might be implied from the circumstances connected with the deposit, this would, of course, alter the case, as the provisions of any contract must be complied with by the bank.

The law in Ontario empowers any one executor to withdraw money standing at credit of a deceased depositor, but if money were deposited to the credit of the executors, it would

be safer to require the signatures of all. It is difficult to say what effect sec. 84 would have in such a case, but as in cashing a cheque drawn (*e.g.*) by one of two trustees the bank would take on itself the burden of disproving any claim set up by the other that there was an understanding that both should sign, it is clear that it would be taking a serious risk quite unnecessarily. Sub-sec. 2 of sec. 84 may be held to be confined to cases where, but for that section, the bank could not take the deposit at all.

Forged Cheque Cashed by the Drawee Bank

QUESTION 50.—A cheque endorsed by the payee to a third party is presented by the latter to the bank on which it was drawn and duly honored. It subsequently transpires that the drawer's name had been forged by the payee.

Would the bank have any recourse against the endorsee who was ignorant of the forgery when he obtained payment from the bank?

ANSWER.—The law is quite clear that a bank is bound to know the signature of its own customer, and that it pays a forged cheque at its own peril. In the case stated, the bank would have no recourse whatever against the innocent party to whom it paid the money. The position of the bank is analogous to that of the acceptor of a bill, who by Section 54 of the Bills of Exchange Act, is precluded from denying the genuineness of the drawer's signature.

Warehouse Receipts

QUESTION 51.—A, a resident of Ontario, sells to B a quantity of goods which B duly pays for, but asks A to keep for him until they are required. B subsequently wishes to borrow on the security of the goods, and A gives him a warehouse receipt for them. Can a bank, by lending money on the security of this warehouse receipt, acquire a good title to the property, or would there be a flaw in it owing to the fact that the sale had not been accompanied by a change of possession? No Bill of Sale was given.

ANSWER.—Under the Ontario Statutes respecting Bills of Sale and Chattel Mortgages, a sale of goods unaccompanied by delivery or change of possession would not be good as against creditors of the vendor, unless there were a registered Bill of Sale. The bank in the case stated would acquire the purchaser's title, that is a title subject to the above defect; good against the vendor, but not against the vendor's creditors. Of course, as a basis for an advance, this might be all that the bank requires.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

THE legal cases reported in this issue will, we think, be found of special interest to bankers. In one or two of them principles which seem to us to be of very great importance are dealt with in a way which to the ordinary lay mind is somewhat unexpected.

Principal and Surety.—The rights of sureties against creditors have been more and more stringently sustained by the Courts, but in *Trusts Corporation v. Hood* the right of the creditor to reserve his claims against sureties is affirmed on a very interesting point.

Assignments of Book Accounts.—In *Trusts Corporation v. Rider* and *Seyfang v. Mann*, we have two judgments bearing on the important question of the rights of an assignee of book accounts.

What Constitutes a Promissory Note.—The judgment of the English Queen's Bench Division in *Kirkwood v. Smith et al*, although it turns on a small point, is one of the most important reported in this number, and if the reasoning of the learned Chief Justice of England is followed in other cases, we may find the definition of a promissory note narrowed very materially. The judgment in effect holds that by permitting, under sub-sec. 3 of sec. 83 of the Bills of Exchange Act (sec. 82 of our Act), the inclusion in a promissory note of a pledge of collateral security with authority to dispose of the security, the legislature have declared that the inclusion of any other condition whatever renders the document invalid as a promissory note. This is a principle which might have very far-reaching consequences.

The "One Man Company" Case.—Some of our readers will no doubt regret that the appeal of Salomon to the House of Lords in the "One Man Company" case (see p. 116, vol. III JOURNAL) has resulted in the reversal of the judgment of Mr. Justice Vaughan Williams, which was warmly approved in many quarters because in it the court seemed to have given more weight to the principles of equity than to technical points of law, to the furtherance of the ends of justice. The judgment of the Lord Chancellor cannot, however, but be regarded with the greatest respect, as that of a calm and passionless tribunal, concerned only to apply rigidly the principles of law, and to interpret strictly the meaning of statutes. While there are no doubt cases where equity and justice would be served by a less technical application of the law, any leaning in that direction could not fail to produce evils, perhaps more serious than those it was desired to counteract.

Rights of a Bank Paying a Cheque on a Forged Endorsement.—In view of the great importance to bankers of the principles involved in the judgment given by the Queen's Bench Division, England, in *London and River Plate Bank v. Bank of Liverpool*, which was published in full in the JOURNAL (vol. III p. 309), it was thought desirable to ascertain from the plaintiffs what they proposed to do in the way of appealing. On learning from them that they did not propose to carry the case farther, a communication was addressed to Mr. J. R. Paget, standing counsel of the English Institute of Bankers, which resulted in the correspondence published below.

It might be deemed strange that a point so vital as this should not have been settled long ago, but apparently this is the first case in which a direct dispute of the kind has been adjudicated. No doubt this is due in a great measure to the fact that under English law since 1853, such a question could never arise with respect to cheques, but only in the case of acceptances of customers paid by their bankers, and drafts drawn on banks payable at a term, which form relatively a

very small proportion of the documents paid by banks, and are, from their nature, less liable to have flaws in their title. The banks in Canada are very vitally interested, since they are not protected in the case of cheques payable to order, and if this law is sound they are daily taking risks of very serious magnitude.

The principle laid down in the case, broadly stated, is this, that if a bill drawn to order (which would include, as far as we are concerned, a cheque as well) is paid by a bank to a party holding the same in good faith, and this party is found to have a defective title for want of authority, or because of a forgery, the bank cannot recover the money back if such a time has elapsed that his position *may* have been altered.

The banks of Canada have it in their power to protect themselves in one way only—that is, by refusing to permit cheques drawn on them to be made payable to order, unless they are crossed. Banks paying crossed cheques, and banks collecting crossed cheques for their customers, are both protected under ss. 79 and 81 of the Bills of Exchange Act, so that if all “order” cheques were crossed, the responsibility for a forged endorsement, would be put where it properly belongs—that is, upon the owner of the cheque, who by his negligence or misfortune puts it in the power of a third party to commit a fraud, and not upon the bank, which in no way could have contributed to the fraud.

The case has, of course, a very direct bearing on the practice of Canadian banks with respect to stamped endorsements. The banks have hitherto regarded this practice as quite unobjectionable, when the items came through other banks in good standing, but if the principles laid down in this judgment prevail, that theory will no longer be tenable. As has been aptly suggested by a member of the Council of the Association, “we are inclined more or less to adopt American practices, but their effect has to be decided by English law.” The law laid down in this case differs materially from that in the United States.

We hope in a later number to have a full discussion of the case as affecting Canadian banks ; in the meantime we think it

well that our readers should have the correspondence before them without delay :

TORONTO, 24th April, 1896

DEAR SIR,—The recent decision of the Queen's Bench Division in the case of *London & River Plate Bank v. Bank of Liverpool* has caused a good deal of concern among bankers here. It is completely at variance with what we have always understood to be the law, and is seemingly opposed to the equities of the matter. We supposed that there was no doubt that the judgment would be appealed, as you will gather from the comment in the last issue of the JOURNAL of this Association (a copy of which we send you), but we regret to learn from the London & River Plate Bank that they have decided not to carry the case farther.

If the ruling of the court in the case in question is good law, it is a matter for serious consideration on the part of banks as to what steps they should take to protect themselves from the risks involved in paying cheques bearing more than one endorsement. We should be much interested to see a discussion of the case in one of the Gilbert Lectures if you should consider that its importance warrants it. We presume that it would not be in the way of the Institute of Bankers to take any action in the matter, say in the direction of promoting an appeal ? Yours truly,

(Sgd.) J. H. PLUMMER,

Chairman, Editing Committee

J. R. PAGET, ESQ., B.A., LL.B.

4 PAPER BUILDINGS, TEMPLE,

LONDON, May 23rd, 1896

DEAR SIR,—I beg to acknowledge your letter of the 24th ultimo. I should have answered it before now, but was waiting to see the number of your journal, which somehow has never reached me. I do not like to let your courtesy in writing to me go longer unrecognized, and must therefore assume the grounds of your Association's dissatisfaction with the decision in the case of *River Plate Bank v. Bank of Liverpool*. I had, to a certain extent, anticipated your suggestion by dealing with the case in this year's Gilbert Lectures, but of course four hours is a very short space in which to treat at any length the many important cases I had to consider this year, and I am conscious there are several points with regard to this case to which I should like to devote a good deal more discussion. I am afraid it is not within the function of the Institute of Bankers to promote appeals, even in cases like this of interest to the whole banking community, and possibly the present case was not a very good one to select for the purpose, inasmuch as the length of time which had elapsed between the payment and the discovery and notification of the forgeries had very obviously altered the position of the payee, and thereby strengthened his case, at any rate under the second branch of the rule, as laid down by Chalmers and others.

I am not surprised to hear that Mr. Justice Mathews' decision has created a good deal of concern. On the whole, however, I think it is correct, though I cannot concur with all the steps by which he arrives at it.

With regard to the earlier cases he seems to take this attitude: "It would be unreasonable to find negligence against the payor because he did not detect a forgery even of a signature with which he was supposed to be acquainted, as of a drawer or customer, therefore the Court in the earlier cases could not have decided on that ground, therefore they did not."

But if the earlier cases themselves are looked at, it is pretty clear that the supposition of negligence, whether well founded or not, did constitute a ground, if not in some cases, the main ground of decision. To take those quoted by Mr. Justice Mathew: *Smith v. Macer*, Dallas, C. J., expressly

said the neglect was a sufficient ground; Heath, B., said the payor was bound to know the handwriting; and Gibbs, C. J., said defendants have lost recourse through the negligence of the plaintiffs. In *Price v. Neal*, reliance is placed on the assumption of negligence, though, perhaps, not so prominently. Even in *Cocks v. Masterman*, the case relied on by Mr. Justice Mathew, the Court expressly says toward the end of the judgment: "The parties who pay the bill ought not by their negligence to deprive the holder of any right or privilege." It seems therefore, as I say, erroneous to conclude as Mr. Justice Mathew does, that in these cases the Court was not influenced by the question of negligence; and if negligence were the test it is difficult to see how there can be any negligence in paying on the forged endorsement of a person with whose signature the payor had no familiarity, or on paying on a forgery of a known signature, if the forgery be sufficiently expert. In either case the question might be one to be decided on the circumstances taken as a whole.

The ground on which I consider Mr. Justice Mathew's judgment can be far more plausibly supported is that based on the now recognized rule that the holder of a bill is entitled at once on presentation to know the fate of the bill. That was certainly the main ground in *Cocks v. Masterman*, also I think in *Price v. Neal*. Vagliano's case was not quoted to Mr. Justice Mathew, but the rule is there laid down in the House of Lords in the clearest and strongest manner, by Lord Macnaghten in particular. Now, no answer can be so emphatic as payment, and it seems to me that the rule would be altogether nullified if an answer so given could be retracted on discovery of a mistake. If it could be retracted in any case it would certainly only be where it could be proved beyond question that the position of the payee had not, and could not, have changed between payment and demand. This rule, of course, is altogether apart from negligence, and therefore draws no distinction between payment on different classes of signature.

No doubt the case points to a risk to bankers with regard to bills, but with respect to cheques which you mention in your letter, I should think Sec. 60 of the Bills of Exchange Act, where that Act is in force, would protect the banker by enabling him to charge his customer, notwithstanding the forgery.*

With regard to bills, there is the often suggested plan of the acceptor's domiciling the bill with himself and paying it by cheque on his bankers, but London bankers always reject this idea as impossible in view of existing competition, and I have no doubt they are right. I have not as yet considered whether any other, and if so, what steps could be adopted which would minimize danger while being at the same time practically feasible.

Believe me, dear sir,

Yours very faithfully,

(Sgd.) J. R. PAGET

TORONTO, August 14th, 1896

DEAR SIR,—On behalf of the Editing Committee of the JOURNAL, I beg to tender you our best thanks for your interesting letter of 23rd May, respecting the case of the *London & River Plate Bank v. Bank of Liverpool*.

The view taken of the law on the point in this country may be gathered from the judgment in *Ryan v. Bank of Montreal*, which was made a test case in connection with a number of frauds affecting several banks. The judgment was accepted by the other banks as conclusive. This case will be found reported in Ontario Reports 12, page 39, and Appeal Reports (Ontario), 14, page 533.

We have discussed your letter with the counsel for the Association. As

*This refers to the clause in the English Act protecting bankers who pay cheques drawn to order on which the endorsements are forged. We have no such protection in Canada.—Ed. Com.

he was leaving town for a holiday, we had not an opportunity of going into the matter very fully, but his views, in which we think most bank solicitors in Canada would concur, and which are quite in accord with your own on the question of negligence, are that the rule on which you would support the judgment is inapplicable to the present case. It is no doubt true that the holder of a bill is entitled, on presentation, to know its fate, but the whole point in this case is that the defendant was not the "holder" but merely had possession of the document without any title thereto. In Vagliano's case, it was held that the bills were in effect payable to bearer, therefore that the party presenting them for payment was in the position of a holder in due course.

A strict application of the rule which you quote would seem to be quite consistent with a right on the part of the payor to reclaim the money, should it be found afterwards that it was paid to a person who had not a good title to receive it. The "fate" of the bill which the holder is entitled to know at once would seem to us to have only to do with the ability and willingness of the acceptor to pay the "holder" at once. It is not reasonable that it should be made to include the immediate waiving of all objections to the holder's title, derived in this case through endorsements of people on the other side of the world.

The reasoning in the judgment of Mr. Justice Mathew seemed to us defective. The position of the Bank of Liverpool would not be compromised if on such grounds as we have suggested they were compelled to repay the money. If they were held liable to repay because they had received money to which they were not entitled, Larrinaga would on the same grounds be liable to repay them, and they would in turn have recourse against Loychate & Co., and so the loss would fall on the persons who were responsible for it, and who had had it in their power to avoid it.

The rule which we consider applicable in all these cases is simply that which obliges a person who has received money under a mistake to pay it back.

As regards the protection of bankers, we have not, unfortunately, the same law here as in England respecting cheques payable to order and not crossed. We have to pay them at our peril, so that we are very greatly interested in the matter.

We should be glad of a further expression of your views, and also of your permission to publish your letters in the JOURNAL.

Yours truly,

(Sgd.) J. H. PLUMMER,
Chairman, Editing Committee

4 PAPER BUILDINGS, TEMPLE,
LONDON, September 23rd, 1896

DEAR SIR,—I beg to thank you for your letter of the 14th ultimo. I quite appreciate the points it raises. But I would suggest that the following considerations may meet them :

As to a person in possession of a bill on which there is a forged indorsement not being a holder—holder is an ambiguous term. A forged indorsement precludes anyone subsequently taking the bill from acquiring any title to it, or any right against any party to the bill antecedent to the forgery. But if he takes the bill honestly and for value, it seems to me that he is a holder in due course. Surely the definition of holder in due course includes him, and the term is used in Sec. 55 obviously with reference to a bill on which there has been a forged indorsement. He has rights on the bill against indorsers subsequent to the forgery. The ground of commercial necessity which justifies the requirement of an immediate answer as to the fate of a bill is just as applicable to a person who is perfectly honestly in possession of the bill and

knows nothing about the forgery which constitutes a blot on his title. And if payment is made to him I do not see how afterwards the payor can contend that the payment was merely equivalent to an answer that the bill would be paid to another person who answered certain conditions. The answer can only be of commercial value if it applies to the person who asks the question.

Then as to giving notice of dishonor. The remedy of the holder who had to refund against his indorser seems to be on the bill, and lost by not giving notice of dishonor. The provisions of Sec. 55 as to indorsements constitute estoppels which prevent the indorser from raising the question of forgery in an action against himself. They do not make it a question of warranty, as in the case of transfer by delivery under Sec. 48. Possibly the case of a bill payable or become payable to a bearer and so transferred would thus differ from the case of an indorsed bill, but with indorsed bills it seems to me their giving notice of dishonor is a condition precedent to such action on the indorsement, and if not given the indorser is discharged.

It seems to have been assumed that if the money were to be reclaimed at once that would be equivalent to dishonor of which notice might be given. I rather doubt this. To constitute dishonor there must be non-payment on presentation, and if the bill is paid on presentation, I hardly see how the forced repayment of the money could constitute dishonor, but it comes to the same thing, for if there has been no dishonor there is no remedy against the indorser.

I have no objection to the publication of this correspondence in your journal if you wish it.

Believe me, yours faithfully,

(Sgd.) J. R. PAGET

The discussion of the case in the "Gilbart" Lectures, to which Mr. Paget refers in the above correspondence, is here given :

In dealing with the question of payment of bills in mistake of fact, the next point is as to the position of the party receiving payment being altered before the discovery and notification of the mistake. Very nice questions formerly arose on this. If the payee had spent the money, if he had lost his right of recourse against other parties, then he was held to have had his position altered and kept his money, otherwise if the other conditions existed, it was supposed he might have to refund.

But now, if we accept a recent and remarkable judgment of Mr. Justice Mathew, all this is practically old and obsolete learning. The case was that of *The London and River Plate Bank v. The Bank of Liverpool*, decided on November 8th last year. There a bill had been paid without negligence to an innocent payee on a forged indorsement. The forgery was not found out for some time, and then the payers, the plaintiff bank, sought to get the money back; the defendants had lost their right of recourse to prior indorsers, but that was not the ground Mr. Justice Mathew went on. For his judgment gives the go-by to all the tests which Mr. Chalmers and many others with him have been in the habit of applying to cases of this sort. As to negligence, he most ably reviews the cases, which have been supposed to have been decided on this ground, cases, generally speaking, where a banker or acceptor has been misled by the forgery of the signature of his customer or correspondent, and shows conclusively that the supposed negligence was not the ground of decision. Nor indeed could it be. The only element of supposed negligence in these cases was the failure to detect the forgery of a signature presumed to be known. As the judge says, if the forgery was cleverly executed, neither reasonable nor any amount of care would enable the banker or acceptor to know that it was a forgery, and it would seem extraordinary that

the rights of the banker or acceptor to recover the money paid to the holder should depend on whether or not the forgery was cleverly executed, for that is what it comes to.

Of course you cannot debit your customer if you pay a bill or cheque with his signature forged, but that is not because you are negligent in so doing; it is because you have parted with his money without his authority; nor can you charge him with money you have paid on a bill, not on demand, with a forged indorsement, but that is because you have paid the wrong person, so these cases are entirely different. Mr. Justice Mathew therefore thus decides that negligence or no negligence is not an important or any factor in these cases. So also with regard to the other part of the supposed rule, namely, that the money may be recovered where the position of the payee has not been altered; the new rule laid down by Mr. Justice Mathew puts that also on a very different footing to that laid down by Mr. Chalmers.

Referring to a case called *Cocks v. Masterman*, decided as long ago as 1829, he says that there the simple rule was laid down in clear language for the first time that when a bill becomes due and is presented for payment, the holder ought to know at once whether the bill is going to be paid or not. I have looked at that case; it was one where Cocks the bankers sought to recover money they had paid on a forged acceptance. The fraud was discovered the next day, and the bankers gave notice to the person to whom they had paid it. There were several prior indorsers.

And the decision of the Court was, as Mr. Justice Mathew states it, with this difference, that the Court state the right of the holder to be that he is entitled to know on the day when it becomes due whether the bill is going to be honored or dishonored. They seem to have had the same idea as the judge. I have told you about who said that a bank was entitled to a reasonable time in which to decide whether they would pay a bill, a reasonable time within which to make enquiries. Now Mr. Justice Mathew, while quoting this case as an authority, has gone a little further, improved upon it, so to say. For instead of giving the payee a day's space in which to answer as to the fate of the bill, instead of constraining the holder to wait if required for that period to learn that fate, he says the payer is bound to answer at once, and the payee is entitled to an immediate answer, and I believe he is right.

Vagliano's case was not cited to him, but you may remember that in that case, the idea that a banker was entitled to a reasonable period in which to make enquiries before he honored or dishonored a bill, was scouted by one or more of the law lords. You must say "Yes" or "No" at once. And so I think Mr. Justice Mathew's advance on *Cocks v. Masterman* is absolutely right. Granted the principle that the holder is entitled to know the fate of his bill, I am of opinion that he is entitled to know it at once, and that there is no ground or authority for the respite of the residue of the day. Again, so far as this part of the question is concerned, I think there is a strong show of right in favor of Mr. Justice Mathew's view. You see it is not a question of waiting for an answer as to the fate of a bill. I can understand it being reasonable, though it is not the law, that the acceptor, and still more the banker, who has not the same means of knowledge, should have a breathing space in which to decide whether he will pay or not. But it seems to me that when you have paid, you have given your answer, and if you are to be allowed at all to retract that answer, the terms and conditions on which you may do so are not unfairly a good deal sharper than where the matter is treated as being in suspense.

Cocks v. Masterman was not an unknown case, but I much doubt whether anybody ever got the heart out of it in this way before. The simple rule, everything in favor of negotiability, a sort of Juggernaut's car, is sufficient for the decision. Utterly apart from any question of negligence, utterly apart from any doctrine of the general law as to payment under mistake of fact, if

you once pay on a bill, woe betide you, and only in the most exceptional circumstances, almost by a miracle, have you the remotest chance of ever seeing your money again.

In *Cocks v. Masterman*, the Court, following out their idea of the holder's right to know the fate of his bill not being exercisable till the close of the business day, declined altogether to express any opinion as to what would be the rights of the payer, provided he discovered his mistake and claimed repayment within the same period. But here again Mr. Justice Mathew goes a step beyond their more guarded and cautious judgment. He admits that if the mistake is discovered at once, it may be that the money can be recovered back, but if it be not and the money is paid in good faith, and is received in good faith, and there is an interval of time in which the position of the holder may (not, note you, must) be altered, the principle, he says, seems to apply that money once paid cannot be recovered back. "That rule [I am "quoting from his judgment], is obviously as it seems to me, indispensable "for the conduct of business. A holder of a bill cannot possibly fail to have "his position affected if there be any interval of time during which he holds "the money as his own, or spends it as his own, and if he is subsequently "sought to be made responsible to hand it back." And then he goes on to throw overboard all nice distinctions as to any specified period of time within which notification of the mistake may avail the payer, all hard and fast rules as to the method in which the position of the payee must or even may have been altered, whether or not he has lost his right of recourse to prior indorsers, to solve in fact in trenchant style the question which the Court in *Cocks v. Masterman* were so careful to leave open. For not only, as I have told you, does he substitute "any interval of time," for the day spoken of in that case, but he goes on as follows:—"It may be that no legal right may "be compromised by reason of the payment. For instance, the acceptor may "pay the bill and discover on the same day that it is a forgery, and so inform "the holder of it, so that the holder would have time to give notice of dis- "honor to the other parties to the bill; but even in such a case it is manifest "that the position of a man of business may be most seriously compromised "even by the delay of a day. Now that clear rule is one that ought not to "be tampered with. It is one of the few rules of business which is perfectly "clear and distinct at present, and as it seems to me it is unimpeachable." Those are Mr. Justice Mathew's words, not mine. But I am not prepared to disagree with them. One must move with the times, and there is a strong tendency in law now-a-days to get rid of technicalities and arbitrary rules, and to look for ruling principles to mercantile usage and what is regarded as reasonable by business men. Specially has this been the case since the establishment of the Commercial Court over which Mr. Justice Mathew presides with conspicuous ability and success, and in which he decided this case and others which we shall have to notice. I think you ought to welcome the innovation. I think, on the whole, it is in your favor or will be. I think you will find the custom of bankers and the implication of reasonable terms between banker and customer will meet with readier and speedier recognition. But I must confess that the more recent decisions on the new lines, if I may so term them, have not been altogether encouraging to you. Take this one for instance. Formerly one might have said that unless the payee could show affirmatively that you had been negligent, that his position was altered between the time of your paying him the money and your asking him for it back, unless he could show that he had lost his right of recourse against somebody or had spent the money, or had incurred some obligation on the strength of having received it, particularly if you demanded it back the same day, you were, supposing the mistake to be a common one to both parties and in the transaction, entitled to get it back. But now it seems it is not so. Negligence is immaterial, and if he has had the money during any period, however short, during which his position may theoretically have been altered, you

cannot touch him. And this practically cuts your chances down to nil. Short of catching him within five minutes after he leaves your bank I don't see how you can do anything. For apart from the presumption in his favor that his position must have been altered, it ought not to be difficult for him to show, on the broad lines now laid down, that it actually has been altered.

Of course the whole thing is a graft on or exception from the ordinary law of payment in mistake of fact. If you pay a tradesman twice over for the same thing, however *bond fide* he may have received the money, and however much his position may have altered, you can get the money back at any time within six years. That payment in mistake on bills stood on a different footing was, as you see, recognized as long ago as 1829, on the ground of the exigencies of business. Those exigencies exist now in a larger degree. Mr. Justice Mathew has recognized that, and drawn the rule a bit sharper in consequence. I take it the rule applies equally to cheques as to bills. Cheques are perhaps not so essentially mercantile documents as bills, properly so called, but cheques are bills; the same reasoning seems to apply to them, and Mr. Justice Mathew clearly implies that they are within the scope of his judgment.

HOUSE OF LORDS¹

Salomon (pauper) v. A. Salomon & Co., Ltd.²

S. formed a company to buy his own business at a price to be paid in cash and debentures. All the shares were held by S., except six held by six members of his family. Debentures for £10,000 were issued to S. In the winding-up of the company, *held*, reversing the decision of the Court of Appeal, that S. was not, in the circumstances, liable to indemnify the company against the debts which its assets were insufficient to pay.

This was an appeal from the decision of the Court of Appeal in *Broderip v. Salomon*, fully reported at p. 116 of vol. III of the JOURNAL.

The appellant, Aron Salomon, for about 30 years prior to 1892 carried on business as a leather merchant and hide factor and wholesale and export boot manufacturer, under the style of A. Salomon & Co. According to the evidence of the appellant and his son, the profits of the business were between £1,000 and £2,000 per annum. A limited company was formed in 1892 to carry on the business, and the original subscribers to the memorandum of association were the appellant, his wife and daughter, and his four sons, who each signed for one share.

¹ Lord Halsbury, L. C., Lords Watson, Herschell, Macnaghten, Morris and Davey.

² *The Times Law Reports*

The appellant's business was sold to the company for £38,782, of which £16,000 was to be paid in cash or debentures, and at the first meeting of the directors, who consisted of the appellant and two of his sons, it was resolved to pay the appellant £6,000 in cash and £10,000 in debentures. These debentures were afterwards mortgaged by the appellant to one Edmund Broderip as a security for an advance of £5,000, but eventually these debentures were cancelled and £10,000 fresh debentures were issued to Edmund Broderip. In October, 1893, an order was made for the winding up of the company, at which date the company was indebted to unsecured creditors other than Aron Salomon to the amount of £7,733, the business of the company showing a loss of £2,600 a year. An action was brought by the liquidator of the company against the appellant, which was tried before Mr. Justice Vaughan Williams, who declared that the company were entitled to be indemnified by the appellant to the amount of £7,733. This decision was affirmed by the Court of Appeal. Against the latter judgment the present appeal was taken.

THE LORD CHANCELLOR.—The important question in this case, which I am not certain is not the only question, is whether the respondent company was a company at all; whether, in truth, that artificial creation of the Legislature had been validly constituted in this instance; and, in order to determine that question, it is necessary to look at what the statute itself has determined in that respect. I have no right to add to the requirements of the statute, nor to take from the requirements thus enacted. The sole guide must be the statute itself. Now, that there were several actual living persons who held shares in the company has not been doubted. As to the proportionate amounts held by each I will deal presently; but it is important to observe that this first condition of the statute is satisfied, and it follows as a consequence that it would not be competent to anyone, and certainly not to these persons themselves, to deny that they were shareholders. I must pause here to point out that the statute enacts nothing as to the extent or degree of interest which may be held by each of the seven, or as to the proportion of interest or influence possessed by one or the majority of the shareholders over the others. One share is enough. Still less is it possible to contend that the motive of becoming shareholders or of making them shareholders is a field of inquiry which the statute itself recognizes as legitimate. If they are shareholders they are shareholders for all purposes,

and, even if the statute was silent as to the recognition of trusts, I should be prepared to hold that if six of them were the *cestui que* trusts of the seventh, whatever might be their rights *inter se*, the statute would have made them shareholders to all intents and purposes with their respective rights and liabilities; and dealing with them in their relation to the company, the only relations which I believe the law would sanction would be that they were corporators of the corporate body. I am simply here dealing with the provisions of the statute, and it seems to me to be essential to the artificial creation that the law should recognize only that artificial existence, quite apart from the motives or conduct of individual corporators. In saying this I do not at all mean to suggest that if it could be established that this provision of the statute to which I am adverting had not been complied with, you could not go behind the certificate of incorporation to show that a fraud had been committed upon the officer intrusted with the duty of giving the certificate, and that by some proceeding in the nature of *scire facias* you could not prove the fact that the company had no real legal existence. But short of such proof it seems to me impossible to dispute that once the company is legally incorporated, it must be treated like any other independent person with its rights and liabilities appropriate to itself, and that the motives of those who took part in the promotion of the company are absolutely irrelevant in discussing what those rights and liabilities are. I will, for the sake of argument, assume the proposition that the Court of Appeal lays down, that the formation of the company was a mere scheme to enable Aron Salomon to carry on business in the name of the company. I am wholly unable to follow the proposition that this was contrary to the true intent and meaning of the Companies Act. I can only find the true intent and meaning of the Act from the Act itself, and the Act appears to me to give a company a legal existence with, as I have said, rights and liabilities of its own, whatever may have been the ideas or schemes of those who brought it into existence. I observe that the learned Judge (Mr. Justice Vaughan Williams) held that the business was Mr. Salomon's business and no one else's, and that he chose to employ as agent a limited company. And he proceeded to argue that he was employing that limited company as agent, and that he was bound to indemnify that agent—the company. I confess it seems to me that that learned Judge becomes involved by this argument in a very singular contradiction. Either the limited company was a legal entity or it was not. If it was, the business belonged to it and not to Mr. Salomon. If it was not, there was no person and no thing to be an agent at all; and it is impossible to say at the same time that there is a

company and there is not. Lord Justice Lindley, on the other hand, affirms that there were seven members of the company, but, he says, it is manifest that six of them were members simply in order to enable the seventh himself to carry on business with limited liability; the object of the whole arrangement is to do the very thing which the Legislature intended not to be done. It is obvious to inquire, where is that intention of the Legislature manifested in the statute? Even if we were at liberty to insert words to manifest that intention, I should have great difficulty in ascertaining what the exact intention thus imputed to the Legislature is or was. In this particular case it is the members of one family that represent all the shares; but if the supposed intention is not limited to so narrow a proposition as this, that the seven members must not be members of one family, to what extent may influence or authority or intentional purchase of a majority among the shareholders be carried so as to bring it within the supposed prohibition? It is, of course, easy to say that it was contrary to the intention of the Legislature—a proposition which, by reason of its generality, it is difficult to bring to the test; but when one seeks to put as an affirmative proposition what the thing is which the Legislature has prohibited, there is, as it appears to me, an insuperable difficulty in the way of those who seek to insert by construction such a prohibition into the statute. As one mode of testing the proposition it would be pertinent to ask whether two or three, or, indeed, all seven, may constitute the whole of the shareholders. Whether they must be all independent of each other in the sense of each having an independent beneficial interest—and this is a question that cannot be answered by the reply that it is a matter of degree. If the Legislature intended to prohibit something, you ought to know what that something is. All it has said is that one share is sufficient to constitute a shareholder, though the shares may be 100,000 in number. Where am I to get from the statute itself a limitation of that provision that that shareholder must be an independent and beneficially interested person? I find all through the judgment of the Court of Appeal a repetition of the same proposition to which I have already adverted—that the business was the business of Aron Salomon, and that the company is variously described as a myth and a fiction. Lord Justice Lopes says:—"The Act contemplated the incorporation of seven independent *bona fide* members, who had a mind and a will of their own, and were not the mere puppets of an individual who, adopting the machinery of the Act, carried on his old business in the same way as before, when he was a sole trader." The words "seven independent *bona fide* members with a mind and will of their own and not the puppets of an individual" are by construction to be read into the

Act. Lord Justice Lopes also said that the company was a mere *nominis umbra*. Lord Justice Kay says :—" The statutes were intended to allow seven or more persons *bona fide* associated for the purpose of trade to limit their liability under certain conditions and to become a corporation. But they were not intended to legalize a pretended association for the purpose of enabling an individual to carry on his own business with limited liability in the name of a joint stock company." The learned Judges appear to me to not have been absolutely certain in their own minds whether to treat the company as a real thing or not. If it was a real thing, if it had legal existence, and if, consequently, the law attributed to it certain rights and liabilities in its constitution as a company, it appears to me to follow as a consequence that it is impossible to deny the validity of the transactions into which it has entered. Mr. Justice Vaughan Williams appears to me to have disposed of the argument that the company, which for this purpose he assumed to be a legal entity, was defrauded into the purchase of Aron Salomon's business, because assuming that the price paid for the business was an exorbitant one, as to which I am myself not satisfied, but assuming that it was, the learned Judge most cogently observes that when all the shareholders are perfectly cognizant of the conditions under which the company is formed and the conditions of the purchase, it is impossible to contend that the company is being defrauded. The proposition laid down in *Erlanger v. the New Sombrero Phosphate Company*—I quote the head note—is that " Persons who purchase property and then create a company to purchase from them the property they possess, stand in a fiduciary position towards that company, and must faithfully state to the company the facts which apply to the property, and would influence the company in deciding on the reasonableness of acquiring it." But if every member of the company, every shareholder, knows exactly what is the true state of the facts, which for this purpose must be assumed to be the case here, Mr. Justice Vaughan William's conclusion seems to me to be inevitable—that no case of fraud upon the company could here be established. If there was no fraud and no agency, and, if the company was a real one and not a fiction or a myth, every one of the grounds upon which it is sought to support the judgment is disposed of. The truth is that the learned Judges have never allowed in their own minds the proposition that the company has a real existence. They have been struck by what they have considered the inexpediency of permitting one man to be, in influence and authority, the whole company, and assuming that such a thing could not have been intended by the Legislature, they have sought various grounds upon which they might insert into the Act some prohibition of such a result. Whether such

a result be right or wrong, politic or impolitic, I say, with the utmost deference to the learned Judges, that we have nothing to do with that question if this company has been duly constituted by law, and, whatever may be the motives of those who constitute it, I must decline to insert into that Act of Parliament limitations which are not to be found there. I have dealt with this matter upon the narrow hypothesis propounded by the learned Judges below, but it is, I think, only justice to the appellant to say that I see nothing whatever to justify the imputations which are implied in some of the observations made by more than one of the learned Judges. The appellant, in my opinion, is not shown to have done, or to have intended to do, anything dishonest or unworthy, but to have suffered a great misfortune, without any fault of his own.

The result is that I move your Lordships that the judgment appealed from be reversed, but as this is a pauper case I regret to say that it can only be with such costs in this House as are appropriate to that condition of things, and that this appeal be dismissed with costs to the same extent.

Lords Watson and Herschell delivered judgment to the same effect, and the other noble and learned lords having concurred, the decision of the Court below was reversed.

QUEEN'S BENCH DIVISION, ENGLAND

Kirkwood v. Smith and another*

A condition added to an instrument purporting to be a joint and several promissory note, that "no time given to, or security taken from, or composition or arrangement entered into with, either party hereto, shall prejudice the rights of the holder to proceed against any other party," invalidates the instrument as a promissory note.

This was the plaintiff's appeal from the decision of the County Court Judge. The plaintiff sued to recover by the summary procedure under the Bills of Exchange Act, 1855, a loan and interest due upon an instrument executed by the defendants, which he alleged was a promissory note. The defendants admitted the execution of the document, but objected that the instrument was not a promissory note and that the plaintiff had no summary remedy. This objection was upheld by the County Court Judge and the plaintiff was non-suited.

**The Law Reports*

The following is a copy of the instrument :

Brighton, 5th day of December, '94.

£15 os. od.

We jointly and severally promise to pay the Southern Counties Deposit Bank, Ltd., or order, the sum of Fifteen pounds, for value received, by instalments in the manner following, that is to say, the sum of One pound on the 5th day of January next, and the sum of One pound on the 5th day of each succeeding month until the whole of the Fifteen pounds shall be fully paid ; and in case default is made in the payment of any one of the said instalments, the whole amount remaining unpaid shall be due and payable forthwith, together with interest at the rate of a half-penny on the shilling per week from the day of such default on the aggregate amount of the instalments then remaining unpaid until actual payment thereof. No time given to, nor security taken from, or composition or arrangement entered into with either party hereto, shall prejudice the rights of the holder to proceed against any other party.

Payable at 69 Ship Street, Brighton.

HENRIETTA ANN SMITH
CLARA MAUD SMITH
her daughter

LORD RUSSELL OF KILLOWEN :—This is a small point, but nevertheless one of some importance. The sole question is as to whether the document is of a mercantile character, so as to enable the plaintiff to avail himself of the summary procedure provided by the Bills of Exchange Act of 1855. On the whole, and not altogether without doubt, I am of opinion that the learned County Court Judge was right. The Bills of Exchange Act, 1882, is a codification of the existing law. Sec. 83 defines certain qualifications which are admissible and are not inconsistent with the fact of an instrument being a promissory note. I think it is safer to take the provisions of sub-section 3 by which "a note is not invalid by reason only that it contains also a pledge of collateral security with authority to sell or dispose thereof," as importing that, if the document contains something more than is there referred to, it would not be valid as a promissory note. I think, therefore, that this instrument is not promissory note.

WRIGHT, J.:—I agree. This instrument, in my opinion, does contain something more than a promissory note as defined by the Act of 1882.

Appeal dismissed.

SUPREME COURT OF CANADA

Richards (defendant) Appellant, and Bank of Nova Scotia
(plaintiff) Respondent*

Where an agent does an act outside of the apparent scope of his authority, and makes a representation to the person with whom he acts to

**Supreme Court Reports.*

advance the private ends of himself or someone else other than his principal, such representation cannot be called that of the principal. In such a case it is immaterial whether or not the person to whom the representation was made believed the agent had authority to make it.

The main facts of this case are as follows :

The agent of the Bank of Nova Scotia at Newcastle, N.B., was one F. R. Morrison. Besides acting as agent of the bank, Morrison carried on business for himself without the knowledge of the bank, and was in the habit of applying to customers of the bank for accommodation under various pretences. As part of his plan of financing, drafts were made or accepted by his brother, J. A. Morrison, doing business at Halifax. Sometime in 1892 J. A. Morrison drew upon the defendant, Richards, without authority, and the draft was discounted with the respondent bank at Halifax before acceptance, and was by the bank sent on to its Newcastle agency, where Richards resided, for acceptance and to be retained there for collection.

F. R. Morrison, who knew that his brother had drawn without authority, and who was desirous, in the interest of his brother and presumably of himself, that the draft should not be returned for non-acceptance, endeavored to induce the defendant to accept, and finally prevailed upon him to do so by exhibiting certain goods and representing that they were held by the bank against the draft, and that the bank would see that the goods were sold and would look after the draft.

In a somewhat similar manner Richards was prevailed upon to draw a draft upon a party residing in another place.

Both drafts were dishonored at maturity, Morrison, the bank's agent, having died in the meantime, and the bank sued Richards as drawer and acceptor respectively of the drafts.

At the trial the jury found that the representations were made by F. R. Morrison and *bona fide* believed in by the defendant, and that he became a party to the drafts upon the faith thereof; and that the statements were untrue to the knowledge of F. R. Morrison; also that the representations were not within the apparent scope of the latter's authority as agent of the bank, and that there were such suspicious circumstances in connection with the alleged representations as to put defendant on enquiry, or to make it his duty to enquire as to the truth of the statements and the authority of the agent to make them.

The learned trial judge upon these findings directed a verdict for the defendant.

The Supreme Court of New Brunswick directed a verdict to be entered for the plaintiff for the amount of both drafts, and the present appeal was from such judgment.

It was held, affirming the decision of the Supreme Court of New Brunswick, that the bank was not bound by such representation; that by taking the benefit of the acceptance it could not be said to adopt what the manager said in procuring it, which would burden it with responsibility instead of conferring a benefit; and that the knowledge of the manager with which the bank would be affected should be confined to knowledge of what was material to the transaction and the duty of the manager to make known to the bank.

COURT OF APPEAL, ONTARIO

Trusts Corporation of Ontario v. Hood*

Principal and Surety.

The facts and finding in this case are sufficiently indicated in the following brief statement:

The assignor of a mortgage covenanted with the assignee that the mortgage money should be duly paid. The assignee subsequently took a new mortgage on the same land, for the same debt, from a third party who bought the land from the original mortgagor, but refused to discharge the old mortgage. The new mortgage extended the time for payment, and contained the usual re-demise clause, to the effect that until default the purchaser should have possession of the land, but this mortgage was not executed by the mortgagee. There was a verbal understanding between the assignor and the assignee, that the latter should retain the old mortgage, and in effect that the new mortgage should not operate as a satisfaction of the old mortgage.

It was held by the Court, affirming the judgment of the Common Pleas Division (27 *Ontario Reports*, 135), that the obligation of the assignor to the assignee was that of a surety, but that he was not discharged by the taking of the new mortgage, as the rights under the old mortgage had been preserved. The new mortgage not having been executed by the mortgagee,

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the re-demise clause did not vest in the purchaser any right to the land which he could set up against the old mortgage. It was open to the surety to re-acquire the original mortgage, and to avail himself of his remedies thereunder against the original mortgagor, and against the land, notwithstanding the extended time for payment granted under the new mortgage.

COURT OF APPEAL, ONTARIO

Niagara District Fruit Growers' Stock Co. v. Walker*

Principal and Surety.

The facts in this case, and the principle affirmed by the judgment, are, for the purposes of the *JOURNAL*, sufficiently indicated in the following brief summary :

An agent was engaged by the plaintiffs from year to year for four years to sell fruit on their behalf on commission, one of the terms of the engagement being that all moneys should be paid in from day to day to their credit in a named bank. The agent made default in this respect, and a large balance was due by him to the plaintiffs at the end of each of the first three years, and the plaintiffs, at the end of each year, took his note for the amount due, payable in the next year. In each year he gave a bond to the plaintiffs to secure the faithful performance of his duties and the prompt payment of moneys received. The defendants were the sureties in the bond given in the fourth and previous years, and entered into the contract of suretyship without making any enquiries from the plaintiffs. This action was brought against them to recover the balance due.

It was held, reversing the judgment of Street, J., that the plaintiffs should have informed the sureties of the previous defaults, and not having done so could not enforce the bond.

HIGH COURT OF JUSTICE, ONTARIO

The Trusts Corporation of Ontario v. Rider†

A parol assignment of book debts is valid under the Mercantile Amendment Act, R.S.O. ch. 122, sec. 7, and does not require the assent of the debtor.

This was a special case wherein the plaintiffs were the

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†*Ontario Reports.*

administrators of the estate of Frank J. Rosar, late of the city of Toronto, undertaker, deceased, who died on December 15th, 1895, and the defendant was a wholesale dealer in undertakers' supplies, who sold extensively to Rosar, and stated as follows:—

At and prior to his decease, and at the time of the verbal assignments hereinafter referred to, Rosar was indebted in a considerable sum of money to the defendant: as security for such indebtedness Rosar endorsed over to the defendant promissory notes received by him from his customers in payment of funeral accounts, and duly assigned to the defendant by endorsement thereon in writing, certain book debts or accounts due him for funeral supplies and services: bills of accounts respecting other book debts due to Rosar from his customers, were from time to time by him handed to the defendant with the purpose and intent of assigning and transferring the same as security as aforesaid, any moneys collected therefrom to be applied in reduction of the indebtedness of Rosar to him: Rosar at the time of so handing the accounts or book debts to the defendant, used words which would, if in writing, constitute a valid legal assignment; but there was no assignment thereof by any form of writing. The plaintiffs contended that upon the above facts the defendant had no valid title to the book debts or accounts lastly mentioned. The parties prayed the Court to determine and declare to which of them the accounts lastly above mentioned, and all accounts or book debts of Rosar in like position belonged, and by whom the costs of the action should be borne.

The case was argued on February 12th, 1896, before Falconbridge, J., and judgment delivered as follows:

"It was a well-known doctrine in equity long before the Judicature Acts or our own Act in reference to assignments of choses in action, that a debt was assignable in equity and binding upon the debtor upon notice": Per Burton, J. A., in *Hall v. Prittie*.

And a parol assignment, if clearly proved, would be sufficient: *Heath v. Hall*, *Gurnell v. Gardner*, *Armstrong v. Farr*.

The provisions of the 35 Vict. ch. 12, sec. 1 (O.), were as follows:—

"Every debt and chose in action arising out of contract, shall be assignable at law by any form of writing, but subject to such conditions or restrictions with respect to the right of trans-

fer as are contained in the original contract ; and the assignee thereof shall sue thereon in his own name in the action, and for such relief as the original holder or assignor of such chose in action would be entitled to sue for in any Court in this Province."

Then came the Ontario Judicature Act, 1881, 44 Vict. ch. 5, which provides (sec. 17, sub-sec. 10) that generally where there is any conflict or variance between the rules of equity and the rules of the common law, the former shall prevail (repeated in 58 Vict. ch. 12, sec. 53, sub-sec. 12).

The revision of 1877 had not altered the provisions of the 35 Vict. ch. 12 ; but in the revision of 1887 (ch. 122, sec. 7) the words " at law " are omitted.

It is contended for the plaintiffs that this is a new enactment, and that a writing is now imperative.

Commenting on the English section (Judicature Act 1873, sec. 25, sub-sec. 6), which is much more complex than ours, and in form deals more with procedure, the learned editors of Chitty on Contracts say: " This sub-section gives no new right of action which did not exist before ; and it is submitted that it cuts down the powers of equitable assignment to the powers described in the section itself ; so that for instance a parol assignment which was valid in equity before the Act is now invalid, though a contrary view has been put forward."

The " contrary view " was expressed in Coote on Mortgages, 4th ed., but in *In re Richardson, Shillito v. Hobson*, 30 Ch. D., Mr. Justice Kay thought the effect of the section was to prevent any interest in a debt or other chose in action passing without an assignment in writing.

I think, however, that the present case is to be determined adversely to the plaintiffs by the decisions and the dicta of the Judges in *Armstrong v. Farr*, *Hall v. Prittie*, and *Lane v. Duggannon Agricultural Park Association*.

The omission of the words " at law " in the revision of 1887 was probably made in view of the changes in law and practice effected by the Ontario Judicature Act, and it has, therefore, no significance at any rate except as a question of procedure. Here the assignee is not suing.

And the cases of *Farquhar v. Toronto*, *Lamb v. Sutherland*, and *Smith v. The Corporation of Ancaster Township*, seem to be in favor of the defendant as to the necessity of the assent of the debtor.

The defendant is, therefore, declared to be entitled to the accounts in paragraph 8 of the special case set forth and to all accounts or book debts of F. J. Rosar deceased in like plight and position, and I see no reason why he should not have his costs, which I accordingly award to him.

HIGH COURT OF JUSTICE, ONTARIO*

Seyfang v. Mann

By an agreement for the dissolution of a firm, it was provided that all claims and demands, notes, bills and book accounts belonging to the firm were to be collected by the plaintiffs, who were to be the owners thereof, and by virtue of which the plaintiffs sued defendant for a balance alleged to be due for goods sold and delivered by the firm to defendant, who set up a claim for damages for non-delivery of goods by the firm, which arose before the dissolution of the partnership:—

Held, a valid assignment of a debt due by defendant to the plaintiffs; and that the defendants could set-off the claim for damages arising by reason of a breach of the agreement under which the debt arose.

The difference between the Imperial and Ontario Choses in Action Act referred to.

This was an action tried before Armour, C. J., without a jury, at London, at the Spring Assizes of 1896.

The plaintiffs claimed as assignees of a firm of Gibson & Prentiss to recover four sums amounting in all to \$486.28, alleged to be due on sales of bicycles to the defendant during the year 1895.

The assignment was by virtue of an agreement, dated the 23rd of July, 1895, made between John H. Gibson and Andrew L. Prentiss, composing the firm of Gibson & Prentiss, whereby the partnership was “dissolved and terminated by mutual consent, and each of the parties hereto releases and discharges the other of and from any and all liability and obligation growing out of or in any wise connected with the said firm’s business heretofore carried on by them under such firm name; it being understood that all claims and demands, notes, bills and book accounts belonging to said firm above mentioned, belong to and will be collected by George Seyfang and Andrew L. Prentiss, who are the owners thereof.”

The defence was that the firm of Gibson & Prentiss had, by a written agreement, dated 18th June, 1895, agreed to supply the defendant with 150 bicycles to be shipped as ordered, with a reasonable degree of promptitude, during 1895, and that although various shipments had been ordered, the firm had neglected, except to a small extent, to deliver the same, whereby the defendant was damnified; and also that by the terms of the agreement, in consideration of the performance thereof, the defendant waived a claim for damages arising prior to the date

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of the new agreement which he now claimed to set up; and that by virtue of the agreement for the dissolution of the firm of Gibson & Prentiss the plaintiffs were liable for the damages thus sustained by the defendant; and he countermanded therefor.

ARMOUR, C. J.: The plaintiffs are entitled to recover the sums as claimed in their statement of claim.

The defendant is entitled to recover damages for the breach of the agreement of the 18th June, 1895, by reason of the non-delivery of the bicycles thereby agreed to be delivered, as I find that there was no such conduct on the part of the defendant as amounted to a renunciation—to an absolute refusal to perform the contract, as would have amounted to a rescission if he had the power to rescind, and which the plaintiffs might accept as a reason for not performing the contract on their part.

And I find that the damages sustained by the defendant by reason of the breach of the said agreement, amount to \$2,530.

This agreement was made by the defendant with Gibson & Prentiss, who dissolved partnership on the 23rd July, 1895, and gave notice thereof to the defendant on or shortly after the 25th July, 1895, by the agreement of dissolution, it being provided "that all claims and demands, notes, bills and book accounts belonging to said firm above mentioned, belong to and will be collected by George Seyfang and Andrew L. Prentiss, who are the owners thereof."

And the question arises whether the damages above assessed can be recovered against these plaintiffs, the assignees of the claims of Gibson & Prentiss against the defendant, and if so, to what extent.

In *Exchange Bank v. Stinson*, Osler, J., points out the difference in the language of the Imperial Act relating to choses in action and the assignment of them, and our Act, and shows that our Act "is more favourable to the debtor, for its effect is to preserve to him, not only all equities to which the claim assigned was subject, but also any legal set-off, whether connected with or arising out of the debt assigned or not, which he had against the assignor at the time of notice of the assignment. Anything which the debtor could avail himself of as an equitable set-off to the debt assigned would be a defence to which, under our Act, the assignment would be subject."

The provision in our Act being that the transfer shall be subject to any defence or set-off in respect of the whole or any part of the claim assigned as existed at the time of or before notice of the assignment to the debtor or other person sought to be made liable, in the same manner and to the same extent as such defence would be effectual in case there had been no as-

signment thereof, and such defence or set-off shall apply as between the debtor and any assignor of the debt or chose in action.

It seems to me that the defendant is entitled to recover the whole of the damages above assessed against these plaintiffs.

Judgment will, therefore, be for the plaintiffs against the defendant for the sums above mentioned with costs; and for the defendant against the plaintiffs for the damages so assessed with costs, each recovery to be set-off against the other, and the defendant to recover the balance against the plaintiff.

FIFTH DIVISION COURT, COUNTY OF VICTORIA

Birmingham v. Malone; Nealon, Garnishee*

Rent accruing, but not yet payable, can be attached in the Division Courts.

The garnishee was tenant to the primary debtor. A gale of rent was due on 15th March 1896. The garnishee summons was served on 14th March. The question to be decided was as to whether there was any debt due or owing, and therefore garnishable from the garnishee to the primary debtor at the time of such service.

DEAN, Co. J.—It is well settled that rent so accrued is garnishable in the other courts, but there is a notable difference in the wording of the Division Court and the Judicature Acts. By the former (sec. 173) a debt “due or owing” to the debtor may be attached, by the latter (see Rule 935) a debt “owing or accruing” may be attached.

The words of the Apportionment Act are (R.S.O., ch. 143, sec. 2): “All rents . . . shall, like interest on money lent, be considered as accruing from day to day, and shall be apportionable in respect of time accordingly.”

By sec. 3 “the apportioned part of such rent . . . shall be payable or recoverable in the case of a continuing rent when the entire portion, of which such apportioned part forms part, becomes due and payable, and not before.”

The rent is a daily accruing debt, and the Judicature Act makes a debt accruing attachable. The question here is, Is this accruing debt a debt “owing” within the meaning of the Division Court Act? . . .

If a man has money borrowed at interest, with the right to repay it at any time, though the lender had the right to call it in only at some future fixed date, the debtor would be “owing” the accrued interest from day to day, and if he went to pay his

*Canada Law Journal.

debt in advance of the time fixed, he would pay the accrued interest because he was "owing" it. If from any cause any rent, annuity or dividend ceases in the middle of a term, the accrued amount is "owing," though not due and payable till the end of the term. Nothing could afterwards happen to make it any more "owing," for all consideration has ceased, only judgment is postponed.

The words in the Apportionment Act, "accruing from day to day," mean that the rent shall become from day to day the property of the person who at the time has the right to it, and if it is his property it is owing to him, notwithstanding the modes prescribed by the Act for its recovery.

I think the difference in the wording of the Acts has come from inadvertence, and not from any intention of the Legislature to give a different effect in the different Courts to the same state of facts.

Judgment against garnishee.

SUPREME COURT OF WISCONSIN

Gifford v. Hordell¹

The indorser of a bill is absolutely discharged if presentment be not made in a reasonable time.

This action was brought to recover against the defendant, as indorser, the amount of four cheques drawn on the Commercial Bank of Milwaukee, and indorsed to the defendant. The defendant, on the 17th July, 1893, sold and indorsed them to the plaintiff, and delivered them to the plaintiff's father, at Dousman, Waukesha county, Wis., who at once mailed them to the plaintiff, at New Richmond, Wis.

They were received by the latter, in due course of mail, July 18th, at 5 o'clock, p.m., and were at once delivered to the Manufacturers' Bank of New Richmond for collection. It immediately enclosed and mailed the checks to its bank correspondent in Chicago for collection, according to its usual custom, having no regular bank correspondent in Milwaukee. They were received and forwarded by the National Bank of Illinois, of Chicago, to Milwaukee, Wis., but were not presented for payment until the 21st of July.²

¹*Rhodes' Journal of Banking.*

²See foot note 2 next page.

The Commercial Bank of Milwaukee, upon which they were drawn, failed, closing its doors at the usual hour on the 20th of July.

The only question was whether the plaintiff, or his agent, the Manufacturers' Bank of New Richmond, Wis., which undertook the collection of the cheques, used due diligence in presenting them for payment. There was a direct mail route from New Richmond to Milwaukee, and thence to Chicago, the latter city being about eighty-five miles south of Milwaukee. The evening mail of the 18th of July at this time left New Richmond at 8.41 p.m., and would have reached Milwaukee at eleven o'clock in the forenoon of the 19th, and Chicago at about one o'clock of the same day; and the cheques arriving at Milwaukee as above stated, could have been presented for payment at ten o'clock in the morning of the 20th, while the bank on which they were drawn was honoring its cheques.

The court held that sending them by way of Chicago for collection was not the use of reasonable diligence in presenting

*The route thus traversed by the cheques was a curious one, as will be seen by the following sketch:



them for payment, and directed a verdict for the defendant, and from a judgment thereon in favor of the defendant the plaintiff appealed.

From the judgment on appeal, confirming the decision of the lower court, the following is extracted :

The period of reasonable time for presentation, as between the plaintiff and the defendant, as indorser, undoubtedly began when the cheques were delivered to the plaintiff's father for him, at Dousman, Waukesha county, Wis., on the 17th July. The drawer of a cheque cannot rightfully withdraw his funds necessary for the payment of it upon proper presentation, and it would be unjust to hold that, however long the holder might permit the fund to remain, it should be at the drawer's risk. Hence, the cheque must be presented within a reasonable time, or the indorser will be discharged, and the fund is at the risk of the holder, if he permits the deposit to remain. No transfer, or series of transfers, can prolong the risk of the drawer or indorser beyond this period, though each party is allowed the same period, as between himself and his immediate predecessor, that the payee had, as between himself and the drawer ; for no transferee can stand on any better footing than his transferrer, in respect to the time within which the cheque must be presented in order to render the drawer's or previous indorser's liability absolute in the event of the failure of the bank. (Daniel, Neg. Inst. § 1595, and cases in note.) The rule of diligence, as between indorsee and indorser, is the same as between payee and drawer. This requires, in general, that where the payee receives the check from the drawer in a place distant from the place where the bank on which it is drawn is located, it will be sufficient for him to forward it by post to some person at the latter place on the next secular day after it is received, and then it will be sufficient for the person to whom it is thus forwarded to present it for payment on the day after it has reached him by due course of mail. When the defendant delivered the checks, properly indorsed, at Dousman, Wis., on the 17th of July, he had a right to assume and expect that the plaintiff, or his father, would present them for payment within a reasonable time, and they took the risk of making such presentment. Instead, they were sent several hundred miles to the north-west of Milwaukee, to New Richmond, thence to Chicago, from which point they were forwarded to Milwaukee for payment, as before stated. It is clear that they were not presented for payment within a reasonable time after indorsement and delivery by the defendant, and the judgment of the county court was therefore correct.

UNREVISED TRADE RETURNS, CANADA

(ooo omitted)

IMPORTS

<i>Quarter ending 30th September—</i>		1895		1896	
Free	\$10,056			\$11,006	
Dutiable.....	17,163			17,690	
	<u>\$27,219</u>			<u>\$28,696</u>	
Bullion and Coin.....	2,206	\$29,425		3,988	\$32,684
<i>Month of October—</i>					
Free	\$ 3,820			\$ 4,109	
Dutiable.....	5,669			5,047	
	<u>\$ 9,489</u>			<u>\$ 9,156</u>	
Bullion and Coin.....	897	\$10,386		135	\$ 9,291
Total for four months		<u>\$39,811</u>			<u>\$41,975</u>

EXPORTS

<i>Quarter ending 30th September—</i>					
Products of the mine.....	\$1,930			\$2,441	
" Fisheries.....	3,168			2,567	
" Forest	10,236			12,315	
Animals and their produce	13,294			10,941	
Agricultural produce	1,511			2,655	
Manufactures	2,266			2,309	
Miscellaneous.....	74			49	
	<u>\$32,481</u>			<u>\$33,279</u>	
Bullion and Coin	176	\$32,657		2,830	\$36,109
<i>Month of October—</i>					
Products of the mine	\$ 671			\$ 879	
" Fisheries	2,505			2,349	
" Forest	2,903			3,104	
Animals and their produce.....	4,121			4,538	
Agricultural produce	1,469			1,599	
Manufactures	810			889	
Miscellaneous	14			19	
	<u>\$12,496</u>			<u>\$13,381</u>	
Bullion and Coin.....	31	\$12,527		294	\$13,675
Total for four months.....		<u>\$45,184</u>			<u>\$49,784</u>

SUMMARY (in dollars)

<i>For four months—</i>		1895	1896
Total exports other than bullion and coin..		\$44,977,000	\$46,660,000
Total imports " " "		<u>36,708,000</u>	<u>37,852,000</u>
Excess of exports.....		8,269,000	8,808,000
Net imports of bullion and coin		2,896,000	1,001,000

STATEMENT OF BANKS acting under Dominion Government charter for the months of September, October and November, 1896, and comparison with November, 1895:

LIABILITIES

	30th Sept., 1896	31st Oct., 1896	30th Nov., 1896	30th Nov., 1895
Capital authorized	\$ 72,958,685	\$ 72,958,685	\$ 72,958,685	\$ 73,458,685
Capital paid up	61,725,269	61,725,369	61,725,769	62,094,573
Reserve Fund	26,373,799	26,373,799	26,438,799	27,233,799
Notes in circulation	\$ 32,652,176	\$ 35,955,150	\$ 35,262,599	\$ 34,362,746
Dominion and Provincial Government deposits	7,503,960	5,567,285	5,380,143	8,188,996
Public deposits on demand	65,827,150	67,312,835	70,051,597	67,573,438
Public deposits after notice	123,436,216	125,525,470	126,791,355	120,264,326
Bank loans or deposits from other banks secured	5,000	5,000	155,000	28,240
Bank loans or deposits from other banks unsecured	2,858,277	2,822,902	2,751,050	2,686,202
Due other banks in Canada in daily exchanges	76,980	83,926	87,639	115,580
Due other banks in foreign countries	257,759	277,768	169,207	220,985
Due other banks in Great Britain	1,939,597	2,014,501	2,346,270	3,704,022
Other liabilities	253,409	413,114	1,020,541	1,172,322
Total liabilities	\$234,810,603	\$239,978,040	\$244,015,473	\$238,316,844

ASSETS

Specie.....	\$ 8,199,989	\$ 8,844,025	\$ 8,306,639	\$ 7,319,768
Dominion notes.....	15,054,501	14,720,782	14,811,770	16,031,512
Deposits to secure note circulation.....	1,847,081	1,834,294	1,836,218	1,814,624
Notes and cheques of other banks	6,973,648	7,149,216	9,441,263	7,163,592
Loans to other banks secured.....	.....	150,000	266,786	23,240
Deposits made with other banks	3,593,429	3,808,802	3,663,972	3,735,426
Due from other banks in Canada in daily exchanges.....	142,920	175,462	145,176	27,773,910
Due from other banks in foreign countries.....	16,045,600	15,380,510	18,230,126	5,418,787
Due from other banks in Great Britain	9,881,792	10,141,919	10,126,734	2,830,276
Dominion Government debentures or stock	3,176,153	2,787,540	2,789,529	20,361,370
Public municipal and railway securities	21,164,469	21,251,943	21,478,325	17,104,427
Call loans on bonds and stocks.....	13,577,151	13,948,206	14,216,843	527,559
Current loans and discounts.....	209,959,682	214,159,871	212,906,674	202,090,122
Loans to Dominion and Provincial Governments.....	466,274	546,120	589,746	127,009
Overdue debts	3,756,236	3,871,688	3,979,866	4,334,856
Real estate	2,064,715	2,055,120	2,086,233	1,229,819
Mortgages on real estate sold	565,056	539,768	459,285	579,475
Bank premises	5,631,046	5,645,017	5,651,437	5,659,868
Other assets	2,264,202	2,501,861	2,096,719	2,070,413
Total assets	<u>\$324,264,175</u>	<u>\$329,512,330</u>	<u>\$333,077,531</u>	<u>\$326,226,143</u>
Average amount of specie held during the month	\$ 8,242,175	\$ 8,315,777	\$ 8,338,094	\$ 7,432,092
Average Dominion notes held during the month	15,284,612	14,585,407	14,476,108	15,957,927
Loans to directors or their firms	7,210,154	8,159,958	8,019,857	8,401,123
Greatest amount of notes in circulation during month	33,268,021	36,295,483	37,236,492	36,197,769

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, St. John
Winnipeg and St. John

(ooo omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG		St. John
	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	
December	\$ 47,351	\$ 54,138	\$ 25,700	\$ 33,728	\$ 4,874	\$ 5,462	\$ 2,834	\$ 3,224	\$ 5,199	\$ 6,641	\$
January ..	48,376	46,663	27,961	33,095	4,997	5,705	2,831	3,227	4,067	4,977	
February	37,793	38,123	20,493	28,544	4,118	4,709	2,461	2,686	2,721	4,052	
March ...	42,464	36,643	22,332	26,087	4,174	4,357	2,462	2,516	2,929	4,286	
April	41,905	37,589	21,960	26,111	4,413	4,790	2,610	2,729	3,093	4,032	
May	51,969	44,324	25,698	27,796	4,964	5,064	2,704	2,733	4,156	4,246	2,413
June	52,353	43,129	26,772	28,384	5,090	4,550	2,913	2,775	3,865	4,094	2,418
July	51,902	44,796	26,838	30,394	5,739	5,467	2,972	2,847	1,038	4,961	2,879
August ..	49,314	41,574	23,235	25,128	6,264	5,556	2,726	2,367	3,937	4,646	2,602
September	45,251	44,763	22,543	24,870	4,694	5,036	2,706	2,829	4,008	4,630	2,283
October ..	53,298	48,999	28,437	29,242	5,613	5,387	3,402	3,131	7,911	7,585	2,292
November	54,397	50,215	28,633	29,129	5,444	5,063	3,363	2,856	8,503	8,895	2,362
	576,373	530,956	300,602	342,508	60,384	61,146	33,984	33,920	54,426	63,045	17,249

*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.

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APRIL—1897

THE EARLY HISTORY OF CANADIAN BANKING

III

FROM 1791 TO 1812

WITH the restoration of peace at the close of the Revolutionary War, the settlement of the Loyalists in Canada, and the revival of the north-west fur trade, agriculture and commerce resumed the quiet tenor of their way. The changes, however, which had taken place as the result of the struggle soon brought about an alteration in the country's economic and political centre of gravity. The new settlements in their formation made considerable demands upon the Government for supplies, and, in providing these, good local markets were afforded the earliest settlers. When the western districts began to produce a surplus it naturally found its outlet through Montreal, which was also the great distributing centre of imports from the west and north-west. Montreal thus became more than ever the emporium of Canadian trade.

In considering the economic future of Canada we must not

forget that however devoted the Loyalists were to British connection, yet in their economic methods, their social habits and their municipal politics, they were thoroughly American, and brought with them to Canada the prevailing American ideas in these matters.

This is not the place for an analysis of the character and capacity of the Loyalists, but it is essential to note that they were far from being of one uniform type. Few more miscellaneous collections of people have ever been found. Their education, character and motives ranged from the highest to the lowest types which the colonies afforded. Most of them had a very high ideal of the British Government's obligations towards themselves, and their settlement in their new homes was not effected without a great deal of grumbling and friction with Government officials.

The initial troubles of settlement safely over, they soon joined with the English element already in the country in renewing the agitation for the repeal of the unfortunate Quebec Act. In this they were soon successful, at least as far as Upper Canada was concerned, for the Constitutional Act of 1791 permitted the Upper Province to re-establish the English law as it was known in the colonies from which the Loyalists came.

The large sums of money which the Revolutionary War had brought to Canada were not of course in the hands of the Loyalists, most of whom came to the country with very limited means or none at all. When the direct Government support of the first few years was withdrawn, and the people were left to provide for themselves, they had neither a great deal of ready money, nor the means of procuring it. There were several military establishments in the western settlements, and others at the Indian trading posts, all of which required considerable supplies, so that there was for a time quite a flourishing local market for the surplus provisions of the more thrifty settlers. It was estimated that the British Government spent, in the early nineties, about £200,000 on the military and Indian establishments in Canada. It also supported the greater part of the civil administration, and supplied a number of pensions.

The Honorable Richard Cartwright, one of the most intelligent, shrewd, and far-sighted of the early settlers, in a letter,

in 1792, to Mr. Isaac Todd, his friend and business correspondent in Montreal, has this to say of the condition of the country at that time:—"To what is to be ascribed the present state of improvement and population of this country? Certainly not to its natural advantages, but to the liberality which Government has shown towards the Loyalists who first settled it; to the money spent by the numerous garri-sons and public departments established amongst us; and the demand for our produce which so many unproductive consumers occasion on the spot. As long as the British Government shall think proper to hire people to come over to eat our flour, we shall do very well, and continue to make a figure, but when once we come to export our produce, the disadvantages of our remote inland situation will operate in their full force, and the very large portion of the price of our produce that must be absorbed by the expense of transporting it to a place of exportation, and the enhanced value that the same cause must add to every article of European manufacture, will give an effectual check to the improvement of the country beyond a certain extent."

Even at this time, though not to the same degree as afterwards, there was considerable difficulty felt from the want of a sufficient circulating medium, especially in the settlements to the west of Montreal.

In those days, and for a long time afterwards, the Canadians depended for their news from the outside world mainly upon the newspapers of the United States. They were thus incidentally well supplied with the news of the United States itself. The recently established Bank of the United States and its rapid success, was observed with close attention in that country, and was attracting very material interest in England. It was evidently the success of that institution which suggested to some associated London and Montreal merchants the feasibility of establishing a like institution, though on a private basis, in Canada. The late Mr. Stevenson, in his paper on "The Currency of Canada after the Capitulation," published in the Transactions of the Literary and Historical Society of Quebec, has drawn attention to this movement, and quotes from a notice of it which appeared in the Quebec Gazette of

1792. As he has made a few errors in connection with the matter, which have been somewhat exaggerated by those who have followed him, I shall give the extract in full :

“ The undersigned having experienced great inconvenience
“ in Canada from the deficiency of specie, or some other medium
“ to represent the increasing circulation of the country, as well
“ as from the variety of the money now current ; and knowing
“ the frequent loss and general difficulty and trouble attending
“ receipts and payments, have formed the resolution of
“ establishing a bank at Montreal, under the name of the
“ Canada Banking Company.

“ The establishment of banks has found favor in the most
“ intelligent commercial countries, and from the experience of
“ ages, there does not now exist a doubt of their utility and of the
“ consequent increase of the trade and industries of the coun-
“ tries, wherever they have been promoted and wisely con-
“ ducted. The operations of the present establishment will be
“ confined solely to the business usually done by the most re-
“ spectable banking houses in other countries, and the parties
“ interested are restricted by agreement from using any part of
“ the funds appropriated to this concern for any other purpose
“ whatever, and are jointly and severally responsible for the
“ faithful performance of their engagements.

“ The business proposed by the Canada Banking Company
“ and usually done by similar establishments is,

“ to receive deposits of cash,
“ to issue notes in exchange for such deposits,
“ to discount bills and notes of hand, and
“ to facilitate business by keeping cash accounts with those
“ who choose to employ the medium of the bank in their
“ receipts and payments.

“ It is proposed also to extend the operations of the bank
“ to every part of the two provinces where an agent may be
“ judged necessary, and it is presumed that the institution will
“ be particularly beneficial to the commerce of, and intercourse
“ with, the upper province.

“ The concerned hope the public will judge with candor
“ of the motives for this establishment, and of the credit and
“ respectability of the parties ; and they beg leave to add that

“ they are determined to conduct every part of the business
“ with the punctuality necessary to promote the credit and suc-
“ cess of the undertaking, and with due regard to the conveni-
“ ence and safety of the public.

(Signed) “ PHYN, ELLICE & INGLIS
“ TODD, MCGILL & Co.
“ FORSYTH, RICHARDSON & Co.

“ Dated in London, 17th March, 1792 ”

Mr. Stevenson gives the date of its appearance in the *Quebec Gazette* as 18th October, 1792, but it first appeared on August the 9th. The idea of the bank is commonly supposed to have been originated and worked up in Montreal, by Montreal merchants. But, as will appear from the document itself, wherever the idea originated it was formulated in London in March, 1792, and a London firm, Messrs. Phyn, Ellice & Inglis, took the lead in the matter. The other two firms are Montreal merchants, customers of the London firm, and enjoying a large share of the trade with the settlements in Upper Canada. We learn from a list of arrivals from London appearing in the *Quebec Gazette* some time after this, that Mr. John Forsyth had been in England; and there came over with him Mr. Geo. Phyn, jun., of London, and Mr. and Mrs. Ellice, of London. No doubt these gentlemen came over to assist in launching the bank in Canada. Possibly a member of the firm of Todd, McGill & Co. was also in London when the articles of agreement were drawn up, and the above announcement prepared. The bank was a purely private one, and no effort seems to have been made to secure a charter for it, as some have supposed. It was evidently intended to gradually cover the whole Canadian field by a system of branches, as in the case of the Bank of the United States.

Canada at that time was hardly ripe for such an institution. In the lower province there was no need for the issue of a paper currency sufficiently urgent to overcome the prejudices of the French-Canadians towards that kind of money. In the English settlements of the west, while there was a real need for a medium of exchange, yet it was almost entirely of a local nature, and those settlements were not sufficiently stable

and advanced in their trade to permit of discounting bills or establishing any general currency from a Montreal basis. What the western country stood in need of was capital rather than currency. In Lower Canada, where there was considerable capital, enterprise was lacking. The French who had money to deposit would not trust it out of their own possession, while the English had no idle money to deposit, those who possessed wealth having it all employed in business, under a system which combined the deposit and exchange functions of our present banks with the ordinary business of trade.

Under these conditions the proposed bank was found to be somewhat in advance of the times. The notice which I have quoted, after appearing in the *Gazette* at intervals for several months, disappeared, and no further mention of the bank succeeded it. Mr. Stevenson says, though not mentioning the source of his information, that the promoters succeeded in forming a private bank of deposit. Mr. Walker, in his account of Canadian Banking in Vol. III of "A History of Banking in all Nations," says: "As a matter of fact it did issue notes, specimens of which the writer has seen, but they doubtless had a very limited use."

Already the leading Montreal merchants having dealings with the western territory, practically conducted private banking operations along with their wholesale business. This phase became ever more extensive and highly developed between this period and the time of the war of 1812. The conditions of the colony were becoming more stable, and its surplus products stimulated a regular export trade, requiring the development of a mechanism of exchange much more complex than that which satisfied local needs.

Owing to the nature of the physical and geographical conditions of the first settlers in Upper Canada, the means of communication being very imperfect, the settlers had little or no choice as to the places in which they might purchase supplies or dispose of their products. Even though there had been an abundance of circulating medium, their trade would still have been essentially one of barter, an exchange of their surplus products with the nearest merchant for a limited range of goods.

Many functions were united in one person in those days.

All kinds of goods were supplied by one merchant ; all kinds of surplus products were purchased and exported by the same merchant. Where mills were erected the leading merchants commonly owned them. In many places in Upper Canada, during this period, a typical trading centre consisted of a flour mill, still, saw-mill, general store, tavern and blacksmith shop. In more important places a woollen mill or at least a carding machine was added. Very often all these were owned by one man. Typical representatives of such establishments were the Napanee Mills in the east, and the Albion Mills near Ancaster in the west.

Even in the earliest stages of the settlements the importer was also the exporter, and barter the natural system of trade. Supplies were required by the settlers throughout the year, while their products came in for sale mainly in the autumn, hence to equalize matters it was customary for the merchants, on the one hand, to give credit for supplies, to be paid for in products later on, or on the other hand, in the case of those who brought products in advance, to issue due-bills or *bons*, to be ultimately redeemed in goods, or partly in goods and partly in cash. These *bons* were usually made payable on demand, though not necessarily payable in cash. Together with ordinary promissory notes, which enjoyed a considerable local circulation, they supplemented the metallic money in the settlements, and, under the circumstances of the time, furnished a fairly effective medium of exchange. All things considered, we cannot but admit that in the early years of the upper province these local media of exchange were much more manageable, if not more secure, than any bank notes could have been.

The merchants, for their part, in obtaining their goods and disposing of their accumulated products, usually dealt with a few large importers at such places as Queenstown and Kingston. The merchants in these places also acted as bankers and bill brokers for the local merchants, receiving deposits, obtaining from their customers orders drawn upon various persons, and permitting their customers to draw orders upon them. These wholesale merchants sold as much as possible of the produce sent to them, to the Government agents for the supply of the military and Indian posts, exporting the remainder to

Montreal, and importing from Montreal the supplies with which they furnished the local merchants. As the imports were greater than the exports, the balance was met by bills of exchange on London from the commissariat officers, vouchers for pensions, and other miscellaneous bills coming from all parts of the province. The large importers in Montreal acted also as bankers for the wholesale men in the upper province, receiving deposits, making payments to order, and not infrequently advancing loans or credits to be met later on by produce, exchanges, or cash, though we find very little of the latter passing.

The data from which this outline sketch is drawn come from many sources, chief of which are the letter books of the Hon. Richard Cartwright. This gentleman was from 1785 to 1815 the leading wholesale merchant and forwarder of Upper Canada. He had constant relations with the chief Montreal and Quebec merchants on the one hand, and a great number of local merchants in all parts of Upper Canada, on the other. As a forwarder he acted for the North-west Fur Company and the other wholesale merchants in Western Canada. His business letter books are thus a perfect mine of information on all matters relating to trade and exchange during this period. I have also had access to many other business letters from the Bay of Quinte and the Niagara districts, throwing further light on the subject from the point of view of the local merchants. Lastly, the official reports from the Governors of the period, to be found in the Dominion archives, give us information from still another point of view.

As bearing particularly on the subject we have in hand, Governor Simcoe's report to the Lords of Trade on the condition of Upper Canada in 1794, is most interesting. In this report, as in many other ways, Simcoe exhibits at once his disinterested anxiety to promote the prosperity of the province, and his very imperfect acquaintance with the economic and social forces which were acting within his jurisdiction.

In that part of his report which refers to the conditions of exchange, he says that it should be a special object of the Government to supply the people of Upper Canada with sufficient cash, or other proper medium, to remove the difficulties which occur in bartering the products of the land for the manufactured

goods of Great Britain, in which the trade of the country wholly consists. The staple product of Upper Canada must be wheat, and it will be the basis of exchange, as is evident from the present commerce of the country. Much attention has been lately given to the question as to how the Government might purchase its necessary supplies directly from the people, in order to promote the general agriculture of the colony. He complains that the system which prevails of purchasing supplies in large quantities from the merchants who undertake the Government contracts, has limited the market for the people. What he means, as we gather from other parts of the report, is that the farmers do not get as much for their grain as the contractors do. His analysis of the difficulty may be given in his own words: "The grievances consist in the universal
" necessity of barter, having introduced among the merchants
" the custom of their issuing their own notes; and by the direct
" and indirect means by which these gentlemen obtain the sup-
" plying of the garrisons, they will receive no flour but in such
" quantities as they chose from their own customers and debt-
" ors, paying them for it in goods, to which they affix the price,
" or in their own notes, payable only on the 10th of October.

"Hence the flour merchant stipulated to the farmer the
" price which he should receive for his flour, and that which he
" should give for the goods which he was compelled to take in
" barter.

"The necessity of a paper currency, where there is not
" sufficient gold or silver, is most obvious, but the American
" colonies having misused such a medium of commerce, and
" converted what might have been a general benefit into public
" injury, by an Act of Parliament at present binding on the
" province of Upper Canada, no emission of this kind can be
" legally made."

Here we have a simple and direct statement of the exchange mechanism of the time, mingling with an inconsequent and mistaken theory as to the grievances which resulted from its operation. That there were certain grievances is true, but they were mainly due to quite other causes than the exchange system. Even had the people obtained gold and silver for their products, they would still have had to sell them in the nearest

market, and obtain from the same merchants their goods in exchange for their money. The merchants would thus have had practically the same advantage as under the system of barter. Under the conditions of the time whatever competition there was operated through the system of barter and *bons* quite as well as under a system of cash sales. The grievances arose mainly from the limited surplus products of the country, and the difficulties and cost of transportation. Under limited competition a monopoly of the export and import trade was also possible in the local centres, although this grievance was not so real as was commonly supposed. That it was not the exchange system, but these other difficulties which were really troubling Simcoe, is evident from the following extract from his report:—

“It appears, therefore, that to preclude the advantages derived from the purchase of flour for the King's forces or garrisons becoming a monopoly of the merchants, who also are millers, land-owners, mortgagees and retailers; to obtain a circulating medium in money or its value, and to reduce the transport on the St. Lawrence, may be reckoned as three distinct and important objects in which the welfare of every individual of the province of Upper Canada is particularly concerned, on which its general prosperity depends, and with which, viewed in its political relations with Great Britain, are connected the welfare and strength of the Empire beyond all powers of calculation.”

The upshot of the whole matter is that Simcoe has a scheme to propose which will, he is sure, not only remove all existing difficulties, but bring indefinite prosperity to Canada and through it to the whole empire. The suggestion for this scheme, he tells the Lords of Trade, was obtained while he was stationed in Virginia during the Revolutionary War, where he observed that notes, issued on the receipt of tobacco, were employed as a circulating medium in the colony. This was, indeed, practically the same system, in a more developed colony, as that of which he complains in Upper Canada. However, starting from this suggestion, he has worked out quite an elaborate state scheme, which may best be given in his own words:—

“It is proposed that the province of Upper Canada

“ should be furnished with a certain sum of money for the purposes hereafter specified. That this sum should be replaced to Great Britain, if thought expedient, by the produce of the sale of part of the lands bordering Lake Erie; that the sum of money so to be raised should be vested in certain trustees. That these trustees should be members of the Executive, or Legislative Councils, and other of the principal inhabitants.

“ That under the superintendence of the trustees, regulations and rules should be formed for the improvement of the manufacture of flour, the staple commodity of His Majesty's province of Upper Canada.

“ That so soon as circumstances shall admit no other flour shall be purchased by the agent or commissaries but such as shall be manufactured agreeably to the above mentioned regulations and rules.

“ That in order to facilitate the exportation of flour a principal store-house shall be built at the rapids of the town of Montreal, and other receiving houses at the termination of the navigation of the several lakes and communications. That a principal flour inspector shall reside at Montreal with an adequate salary; that inferior inspectors shall be appointed at the other posts; that these inspectors be duly sworn, after proper examination, to admit or condemn any flour that may be offered to them. That the flour be transported across the lakes in the King's vessels, in preference to all merchandise, at a given price, the average of which must fall on the owner, in proportion to the distance of transport.

“ That for every flour barrel received at the store, a note be issued payable in gold or silver on demand at stated periods. That these notes be made a legal tender in all taxes. . . .

“ The result will be as formerly has been shown, of infinite importance to the colony, first in providing for the consumption of its staple, secondly in giving it a certain medium of exchange instead of the merchants' notes whose excess cannot be regulated, or regulate itself, whose modes of payment are not unconditional, diminishing at once the security of the public, and contributing to private extortion. And third, by the means of possessing back carriage, it will lessen the incon-

"venience of its remote situation from the ocean, and it is probable that the proposed company may find it their interest to augment their batteaux so as to lower the price of freight on the importations from Montreal to Kingston."

He then proceeds to detail the unparalleled prosperity which will result alike for Canada, the West Indies, and Britain.

This remarkable anticipation of the recent Farmers' Alliance or Populist Sub-Treasury Scheme is quite evidently beyond serious criticism. Its whole character betrays the man of military training, but quite lacking the information and experience which are needed in civil administration. While the Lords of Trade might be imposed upon by other proposals relating to a country of which they had no direct knowledge, yet they were hardly the persons to be seduced by any "wild-eyed finance," and Simcoe's elaborate scheme was quietly pigeon-holed. The more's the pity that the same fate had not befallen several of his other equally well meant schemes.

With the gradual settlement and progress of the colony the conditions of exchange which I have already sketched became more pronounced. The merchants more extensively performed all the essential functions of banking, except the regular issue of notes.

American paper money circulated to a certain extent in Canada during this period. That it did not become more general was evidently due to the fact that until 1810 there was no law in Canada to prevent the counterfeiting of foreign bank notes or other exchange documents. As a consequence of this Canada became the asylum and base of operations for the majority of American counterfeiters. This unwise policy was found, in the long run, to be more disastrous to Canada than to the United States, hence an Act was passed in Upper Canada in 1810 making the counterfeiting of foreign notes, etc., illegal. From that time American bank notes circulated more freely along the borders of Upper Canada at least. An attempt was made to pass a similar Act in Lower Canada the same year, but the bill did not get beyond its second reading.

In my last article I referred to the three-cornered system of exchange which had already grown up between Canada, England and the American colonies. When commercial relations

were resumed after the peace, and especially when great freedom of trade was secured by the Treaty of Commerce of 1795, the Canadian trade with the United States developed rapidly. The United States being a neutral nation during the French Revolutionary War, and the subsequent Napoleonic wars, it was possible for Canada to obtain many of its English supplies, and especially its East Indian goods, cheaper through the United States than directly from Britain. On the other hand the export of much American produce by way of the Champlain, western lakes and St. Lawrence routes, and the local consumption of considerable American produce in Canada, made a very large import trade from the United States. The regular exports of Canada to England in furs, American and Canadian products, and the support of extensive military garrisons and Indian pensioners at the expense of England, without a corresponding import of goods from England, led to a very considerable balance of exchange in favor of Canada. As between the United States and Canada the exchange was against Canada, and as between the United States and England, the exchange was against the United States. The payments for American produce coming into Canada being made in small amounts, were usually in cash, neither the local instruments of exchange nor the larger English bills being admissible in that trade. The general result was that, about the beginning of the century, Canada found its metallic currency rapidly draining off to the border States. As a consequence of this and of the superfluity of sterling bills, the sterling bills fell below par in Canada, sometimes going so low that £100 sterling were offered for £100 currency. At the same time sterling bills were at a premium in New York and Boston. This led eventually to the bringing in of large quantities of cash from these cities for the purchase of sterling bills in Canada; thus a general equilibrium was once more established. These operations are indicated in the Cartwright letters, and Mr. Hugh Gray, in his Letters from Canada in 1806-7-8, gives a very clear and full account of the process by which the balance was restored, allowance being made for the cost of transporting specie.

The intimate trade and exchange relations with the United States, the continued success of the Bank of the United States,

and the growing need for a more perfect circulating medium than that miscellaneous local currency of *bons* and promissory notes, which the more developed parts of the country were now outgrowing, led to a general movement among the merchants of Lower Canada for the establishment of a provincial bank in that province.

In the *Quebec Gazette* of March 5th, 1807, appears the following advertisement: "Notice—The attendance of the inhabitants of Quebec is requested at the Union Hotel on Friday next, the 6th inst., at one o'clock p.m., to consult on the proper measures to be taken for the establishment of a bank in this province. Quebec, 4th March, 1807." As a result of this and a similar movement in Montreal, a petition was drawn up and presented to the Legislature of Lower Canada, praying for the establishment of a bank in the cities of Quebec and Montreal. But owing to the fact that it was sent in just at the close of the session no notice was taken of it. The following year, on the 22nd of February, a petition was presented to the House of Assembly of Lower Canada, which is as follows:—"The commerce and agriculture of this province labor under many inconveniences and discouragements from the quantity of specie in circulation being greatly inadequate to its necessities and increasing population; from thence enterprise and industry languish, and the natural advantages arising from a fertile soil, large and navigable rivers, and most valuable and extensive fisheries, in the river, bays and Gulf of the Saint Lawrence, remain almost dormant and unimproved.

"The petitioners therefore beg leave to represent to the House that in the present situation of the province, nothing could have so great and immediate tendency to advance the commerce, agriculture, wealth and prosperity of the province, as the establishment of a bank. Time and experience have incontestably proved the utility and security of banks. They have been a safe and convenient substitute for gold and silver, and have increased the industry and wealth of every country in which they have been established.

"The petitioners therefore most humbly pray that they may be incorporated into a body politic, by the name of the Bank of Canada, to be established in the cities of Quebec

“ and Montreal, with all the privileges and immunities usually
“ granted to such corporations ; and subject to such limitations
“ and restrictions as the House in its wisdom may think best.”

The petition of the previous year was also presented once more. Both petitions were referred to a committee of the House to examine and report upon them. On the 4th of March the committee reported as follows :

“ To prove the allegations of the petitions, a member in-
“ formed the committee that the balance of trade between this
“ province and the United States by inland navigation, being
“ greatly against us, a constant drain of specie from this coun-
“ try was thereby occasioned, which can be replaced only by im-
“ portations thereof from Great Britain, or by sending down
“ sterling bills to the States, and bringing back their proceeds
“ in gold and silver coin. That the former has not yet been
“ resorted to, excepting by Government, and is not likely to be
“ attempted by individuals, and the latter (bringing money
“ from the States) is attended with considerable loss, expense,
“ and great risk.

“ That specie is very sensibly decreasing in this province,
“ and some safe substitute would be greatly desirable and tend
“ to facilitate the trade of the province, particularly the export
“ trade, which is often cramped by the heavy loss on bills of ex-
“ change, consequent upon the disproportion between the
“ amount of them for sale, and the circulating coin. He there-
“ fore was of opinion that the institution of a bank would have
“ a tendency to remove, at least in part, the inconvenience at
“ present felt from the scarcity of the circulating medium, and
“ be otherwise beneficial to the province. That such institu-
“ tions had been useful in other countries, and though there
“ might be difficulties here to encounter, in a matter so new to
“ the bulk of the inhabitants, yet that he thought it would
“ finally surmount these difficulties, and at all events merited
“ fair trial.”

Here we find further corroboration of the facts of exchange already described. But while the need for currency was undoubted, the arguments used in favor of the bank are not altogether sound. Obviously the issue of a redeemable paper money by a bank would not check the export of cash from the

country if its trade continued to require it. The notes would simply be exchanged at the bank for cash, and the cash exported. Neither would the issue of bank notes improve the sale of bills of exchange in Canada, since they would not alter the advantages from purchasing goods from the United States rather than directly from Britain. The bank notes could only improve the internal exchange mechanism of the country, they could not alter the character of the foreign exchanges.

The report was received and a bill brought in, which got as far as being ordered to be printed before going to the Committee of the whole House on its second reading. This is the bill from which I gave extracts in my first article, to show that it was copied from the charter of the Bank of the United States.

The growing need for a regular currency was felt by the more advanced settlements in Upper Canada, quite as much as by the English element and more enterprising French merchants of Lower Canada. Hence, notwithstanding the failure of the attempt in Lower Canada, the question of a provincial bank began to be agitated in the upper province. In 1810 the proposal to establish a bank in Upper Canada took definite shape at Kingston, the most important commercial centre of the province. The subject had been canvassed in a private way for some time, when the establishment of the first newspaper in Kingston, in September, 1810, gave an opportunity for public discussion of the matter. The first communication on the subject appears in the issue of 4th December, 1810, and indicates the chief points, for and against the proposed bank, which had emerged in the discussion. On the 1st of December there had been a public meeting "to take into consideration the expediency of establishing a bank in the town of Kingston, and of applying to the Legislature for an Act of incorporation." This meeting was in favor of the project. The writer of the first article in the *Kingston Gazette* was in favor of the bank. He admits that the bank would have to encounter some difficulties. Some of the objections raised against the proposal were: That it would lead to a counterfeiting of the notes ("bills" as they were called in those days); it would be impossible to give the notes sufficient credit to ensure their circulation; the Montreal merchants would be opposed to the bank and would refuse to

receive the notes

receive the notes ; a bank had already been attempted in Montreal and was found impracticable. In answer to these objections the writer points to the benefits which have resulted from the establishment of banks in Europe, and especially in the United States. He goes into the United States bank question at some length, pointing out in particular that the first banks in the United States were very successful, but their success developed competition, resulting in a war of the banks with one another, and the consequent destruction of some. If, however, a regular chartered bank could be obtained in this province, being the only one in the two provinces, it would have none of these evils to contend with. The recent Act against counterfeiting, which has broken up the nest of counterfeiters of American notes in Canada, will protect the bank from that danger.

In the following number of the *Gazette* appeared two letters on the subject, the one in opposition to the bank and the other in support of it. The writer of the first is evidently not very well versed in banking, but his attitude is interesting. He thinks a bank would be disastrous to the district. First of all where is the capital to come from ? The town, he says, would be puzzled to raise £1,000 in specie. But even could they obtain £20,000 to £30,000, how could the capital be profitably employed ? The discount business would be very small, and even if people did come to the bank for loans, what sort of business could they invest in that would leave them any profit, after paying the bank fifteen to eighteen per cent. interest ? These figures he gets by calculating the sixty and thirty day rates of discount for a whole year. His real difficulty, however, is reached when he sees in it the possibility of freeing the farmers and others from the necessity of bringing in their products to barter them at the stores of the Kingston merchants. He believes that if the people are possessed of money it will simply increase the number of peddlers, or itinerant merchants, in this province, "and God knows they already sufficiently abound." As these peddlers come chiefly from New York or Albany, they will simply gather in the paper money, convert it into specie at the bank, and take it to the United States to get new supplies of goods, and repeat the operation.

The second letter, which is in favor of the bank, claims that sufficient capital has already been promised to ensure its stability. After giving some interesting information as to the nature and working of banks, he refers to the meeting to be held that evening, "to prepare and sign a petition to the Legislature for an Act of incorporation, to draw up articles of co-partnership, which in case the charter should be refused will prevent the defeat of the scheme; to agree on the form of a circular letter inviting the inhabitants of the province to support the institution, and finally to take such other steps as may be necessary to carry it into effect with the least possible delay."

The meeting referred to is thus advertised: "Bank of Upper Canada. The subscribers to the stock of the above bank, together with such other of the inhabitants as are in favor of its establishment, are requested to attend a meeting, on business of importance, at Walker's Hotel, this evening, at seven o'clock, December 11th."

Letters and discussions about the bank continued to appear almost every week until February, 1811. From these we learn that even the opponents of the bank admit that those who are promoting it are sound business men. We learn also that the shares of the proposed bank were to be fifty dollars each, that there was great scarcity of specie in the province, and that the notes of neighboring banks in New York State were circulating in Canada.

The petition of the Kingston merchants was no doubt presented to the Legislature of Upper Canada, but while that body was in session the United States Congress destroyed the Bank of the United States, and the rapid development of friction between the United States and England introduced an element of uncertainty into all Canadian trade and exchange, putting an end, for the present, to such a new venture as that of banking. The beginning of the war of 1812-15 brought to a close another epoch in the history of Canadian trade, introducing a new set of conditions, and during its progress deeply affecting, by the employment of the Army bills, the future character of Canadian exchange.

ADAM SHORTT

THE ECONOMIC CONDITION OF NEWFOUND- LAND AT THE CLOSE OF 1896

IN the issue for January, 1896, of this JOURNAL, I laid before its readers an analysis of the economic condition of Newfoundland, at that date. After a brief sketch of the financial and industrial position of the colony from 1876 till 1884, when the first line of railway was opened for traffic, I described the effects of the great fire of July 8th, 1892, which laid more than half the capital in ashes, and then proceeded to deal with the far more disastrous financial crisis of December 10th, 1894, when the only two banks in the island closed their doors, entailing widespread ruin, and leaving the country without a currency and seemingly on the brink of bankruptcy. The condition of affairs was certainly most alarming—ruined shareholders bemoaning their losses—note-holders looking in despair at their worthless paper which had no purchasing power, and depositors stunned at the discovery that their funds had disappeared. Stores and shops were deserted, for the people had no money to purchase goods. Employers were compelled to close their workshops and factories, having no means of paying wages, and no customers for the products of their industry. Long-established mercantile firms were falling day after day. The long winter had set in, and destitution threatened to overwhelm large masses of the working people. A run on the Savings Bank commenced and continued to increase in volume. Men's hearts were failing them, for all confidence was gone. The revenue was declining at an alarming rate, as importations had almost ceased; and national bankruptcy seemed looming in the distance. Social and commercial chaos had arrived. On investigation the condition of the banks was found to be hopeless.

I endeavored to point out the causes which led to these disasters, namely, the false and unsound principles on which

the business of the country had been conducted for years, and the dangerous and vicious system of banking which had rendered such unsafe modes of business possible and had bolstered it up for a time. The banks furnished undue facilities for obtaining credit, in some cases to an enormous extent, and this led to an inflation of trade. "Instead of using the funds entrusted to their care in the legitimate business of banking, so as by safe investments to secure a profit to the shareholders, the directors advanced very large sums to themselves and others without any reasonable security." The whole capital of the banks was thus swallowed up. No inspection was made by any government authority, and the annual reports of both banks seemed to indicate that all was sound and prosperous. In such a condition of affairs a slight matter would precipitate a crisis, which speedily arrived.

But I tried to show that though this unsound banking system was mainly responsible for the commercial crash, yet that underlying it, and at the very root of the evil, was the credit or truck system on which for generations the fisheries—the staple industry of the country—had been conducted. The ruinous and demoralizing character of this system was dwelt on at some length.

A year passed after this crisis, and at the close of 1895 what was the economic condition of the colony? The change was marvellous. The old colony that had been thrown on its beam-ends by the financial tempest had righted itself and was sailing onward prosperously. Business had revived; the wheels of commerce were revolving vigorously; money was plentiful; the various industries were in full activity; three Canadian banks, of the first class, had replaced the defunct local banks, and the whole tone of trade and industry was improved. The city was rebuilt on an improved plan and the ravages of the fire largely obliterated. The floating debt of the colony had been provided for by an advantageous loan, and the Savings Bank had been rendered safe in any emergency by a loan of a million dollars. The run on it had ceased. The revenue had been restored to a healthy condition and showed a surplus. A judicious system of retrenchment had been adopted by which the amount of \$564,000 per annum was saved, without any

serious injury to the public services. Credit and confidence were restored. The people had gallantly faced their difficulties and to a large extent conquered them. The contrast between the December of 1894 and that of 1895 was astounding; and once more the marvellous recuperative energies of the country were strikingly displayed.

In reviewing the situation at the close of 1895, I ventured to express hopeful and favorable views regarding the future of Newfoundland, founded on the facts above referred to, and on the nature and extent of its natural resources, and the enterprise and energies of its people. I purpose in this paper to review its condition at the close of 1896, and to inquire whether my anticipations have been realized, and what are its prospects in the future. Has the remarkable recovery from the unprecedented financial collapse proved temporary, or permanent and progressive?

The revenue of the colony is derived almost entirely from duties on imports, so that it furnishes a reliable test of the trade and general prosperity of the country. Imports show what is the purchasing power of the people, which in its turn depends on the success of their industrial and commercial undertakings; and the revenue furnishes a measure by which that success may be determined. The fiscal year which formerly ended on December 31st in each year, was, for sufficient reasons, changed and made to terminate June 30th. The revenue for the year ending June 30th, 1895-96, amounted to \$1,564,303. The revenue for the year 1894-95 was \$1,345,645; so that the increase was \$218,658. The total expenditure for the year ending June 30th, 1896 (interest on the public debt included), was \$1,357,810, leaving a surplus for the year of \$206,493. This remarkable result exceeded the expectations of the most sanguine. It proved that the "crash" was by no means an unmixed evil. The changes which it necessitated in conducting the business of the country—the curtailment of the credit system, the improved banking methods introduced by the Canadian banks—had told favorably, and placed business on a sounder basis than before. There can be no doubt too that the vigorous way in which the Government grappled with the extensive system of smuggling from St. Pierre, which had gone

on unchecked for many years, had considerably restricted the demoralizing practice and helped to swell the revenue. The curtailment in the issue of supplies for the fisheries had thrown the fishermen more on their own resources, with the result that they worked harder and were more careful in the cure of their fish, thus securing better returns from their labors.

The estimated revenue for the year ending June 30th, 1897, is \$1,587,221, being \$22,918 in excess of the revenue for 1895-96. There are strong reasons for believing that this estimate will be realized, if not exceeded. The revenue of the first quarter of the current fiscal year, ending September 30th, 1896, amounted to \$415,342. For the corresponding quarter of 1895 the revenue was \$264,308, so that the increase was no less than \$151,034. The average quarterly revenue for the year 1895-96 was \$391,075. The first quarter of the current fiscal year's revenue exceeds this amount by \$24,000; so that the revenue continues to mount upwards. As the fisheries during 1896 were on the whole very satisfactory, there is good ground for expecting that this increase of revenue will continue, and a surplus considerably beyond that estimated may be realized. For the months of October and November, 1896, the revenue amounted to \$297,223, being \$20,811 in excess of the corresponding two months of 1895. The revenue for the six months ending December 30th, 1896, was \$850,000. The foregoing figures prove that the revenue is steadily increasing, and this implies an augmentation of imports for 1896.

The estimated expenditure for the year ending June 30th, 1897, is \$1,583,025, the expected surplus being \$4,196.

No more important step was ever taken by any government in this colony than the retrenchment policy, adopted in 1895-96. The tendency to lavish expenditure had gone on increasing under all governments, the yearly deficits being constantly met by new loans. When the "crash" of 1894 arrived, a halt was called and financial affairs had to be looked in the face. It was at once apparent that retrenchment was necessary, so as to make income and expenditure balance each other, and, if possible, secure a surplus at the end of the year. The loan of two and a half millions of dollars so successfully negotiated by the Hon. Robert Bond, Colonial Secretary, wiped

out the floating debt. The pruning knife was then applied without remorse. Official salaries were cut down and reductions effected in the various public services. The following statement shows the saving effected by the retrenchment policy of 1895-96 and the services in which such saving was made:—

Education	\$ 29,000
Fishery Bureau	14,000
Judicial Department and Police	37,000
Lighthouses and public institutions.....	72,000
Miscellaneous	40,000
Relief of poor	92,000
Roads (regular grant)	125,000
Special grants to districts	36,000
Salaries (not included in any department mentioned above).....	19,000
Steam subsidies	100,000
Total	\$564,000

The amount of public debt on the 30th of September, 1896, was \$13,879,715. The interest on the same (including the recent loan and its sinking fund) was \$550,000. Thus the saving effected by retrenchment more than covered the entire interest on the public debt. It has not been shown that any of the services were rendered less efficient in consequence of this retrenchment. In fact, if the single instance of the steam subsidy for carrying mails be taken, in which there was a reduction of \$100,000, the colony is better served now in the carriage of its mails than before such reduction was made. The cost of governing 200,000 people was extravagantly high, and the retrenchment has but brought it down to more reasonable dimensions. The policy has been strictly carried out in all good faith, and nothing has been allowed to interfere with it.

That the surplus revenue of \$206,492, at the close of the fiscal year ending June 30th, 1896, was *bona fide*, is proved by the fact that this amount has been placed at interest, viz., the interest derived from credit balances on current account. In addition the unexpended balance of the late loan, amounting to \$360,000, has also been placed at interest; so that the sum of \$566,492, bearing interest at 3 per cent., is now at the credit of the government, and is available by them should any emergency arise. This will help to stabilitate the credit of the colony abroad.

As already stated, the public debt on September 30th, 1896, was \$13,879,715, the interest amounting to about \$550,000. At the close of 1896 the public debt was probably \$14,659,715. The increase is of course owing to railway extension. The line now under construction will be completed to Port-au-Basque by August, 1897, as only 30 miles remain. The facts already stated show that the colony is perfectly able to shoulder this debt, and that no difficulty whatever will be experienced in meeting the interest as it becomes due. On completion of the railway there will be no need of increasing the public debt.

On the day of the crash, December 10th, 1894, the Savings Bank had on deposit \$2,855,279. In the wild and unreasonable panic which followed, a severe run on the Savings Bank commenced. Depositors had no reasonable ground for doubting its solvency, for the whole funds of the colony are pledged to make good any deficits that might occur, so that they were absolutely safe. But when a financial tempest is raging it is useless to appeal to reason. The Savings Bank, however, held its ground successfully, paid all demands and never closed its doors. A timely loan of a million dollars, obtained for it by the Hon. R. Bond, at $3\frac{1}{2}$ per cent., completely stabilitated the institution, and the run speedily subsided. Confidence was restored, and the deposits withdrawn have been gradually finding their way back to the bank. On the 30th September, 1896, the deposits in the Savings Bank amounted to \$1,291,686, and are steadily increasing. It must be remembered that the Bank of Montreal, the Bank of Nova Scotia and the Merchants Bank of Halifax, all of which have branches here, allow 3 per cent. on deposits, as does the Savings Bank, and doubtless many who withdrew their deposits from the Savings Bank, during the panic, placed them in one or other of these banks, and are now content to let them remain. The increase of deposits in the Savings Bank in 1896, amounted to \$51,839.

During the year 1895-96 the government imported \$100,000 in silver to meet the requirements of the trade, on which transaction they realized a profit of \$48,862. There was much adverse criticism at the time, and all sorts of evil were predicted. The banks of course did not relish such

importation, regarding this as one of their own functions. But no harm has followed ; nearly the whole amount has gone into circulation, and there is no glut of silver, while the government have realized a legitimate profit.

Finding a surplus revenue of \$206,000 at the close of the year 1895-96, and reckoning on a continuance of the increased revenue for the year 1896-97, the government decided on increasing the grants, *for the current year*, to some of the public institutions, and services which were pressingly in need of such increase. This would not in any way affect the retrenchment policy, as the increase in the revenue more than covered such additional grants, and there was no necessity for securing a large surplus at the close of the current fiscal year. The increased grants for 1896-97 stood as follows :

Education.....	\$29,000
Circuit Courts.....	2,500
Constabulary	6,400
Lunatic Asylum	3,500
Quide Vidi Hospital.....	4,000
Repairs Public Buildings	7,000
Roads.....	70,000
Fishery Bureau	9,600
Customs.....	5,400
Revenue protection.....	4,000
Court Houses and Gaols expenses.....	1,500
Total	\$142,900

This very moderate increase was found absolutely necessary, especially in the case of education, which should be sustained in the highest state of efficiency. The Education grant has been restored to its original amount.

The grant for making and repairing roads and bridges was also indispensable, as were those for repairing public buildings and providing for the Fishery Department.

Perhaps one of the best proofs that the trade of the country has recovered from the shock caused by the "crash" of 1894, and that it is now in a healthy condition, is furnished by the fact that the large firms who effected a compromise with their creditors, have all either paid off the whole dividends or are in a fair way of doing so. In no instance has there been any defalcation in the payment of the promised dividends; and all

these firms are now carrying on an extensive trade. Without a restoration of confidence and sound activity in trade this would have been impossible.

The improved banking system introduced by the Canadian banks has aided greatly in placing commercial and industrial affairs on a more satisfactory basis. These banks have steadily discountenanced all unsafe speculations or doubtful enterprises; but they have given ample accommodation to the legitimate trade of the country and done much to re-establish credit. It is understood that their own business during 1896 has been of a very satisfactory character.

As a further proof of the healthy condition of business already reached, we may point to the spirit of enterprise that is abroad in connection with the introduction of new industries. Now that the extension of railways has shown the great capabilities of the island, an impulse has been given to various native industries which are likely to furnish a large amount of employment and increase the prosperity of the colony. Foremost among these may be mentioned the pulp industry. It would be difficult to find a country better adapted for this industry, or furnishing in greater abundance the materials for its prosecution. Water power to any extent can be readily obtained. An enterprising firm has taken the matter up in earnest, and secured large tracts of suitable timber lands, which are now under survey by an expert. It is also stated that Messrs. R. G. Reid & Sons, railway contractors, who own over two million acres, are likely to embark next year in the pulp industry. It is needless to enlarge on the importance of such an enterprise to the country. The proximity of the island to European markets would be greatly in its favor; and the facilities for shipping the pulp would be all that could be desired.

It has lately been clearly established that on the west coast, near Cow Head, there is a large district in which petroleum has been found at various points. A company has been formed; and during last summer borings have been made, and a large flow of petroleum of a superior quality has rewarded the spirited enterprise of the shareholders. It is highly probable that the petroleum industry will be prosecuted here on a large scale. The shares of the company have risen con-

siderably in value, and a second company has entered the field. A large area of the petroleum district belongs to R. G. Reid, Esq., being included in the land concessions granted to him in connection with the construction of the new line of railway.

Another local industry has lately taken a new departure, which is likely to have profitable results. Hitherto the manufacture of cod-liver oil had been carried on upon the antiquated plan which prevailed a hundred years ago. The consequence was that the Norwegians outstripped the Newfoundlanders and obtained and held the markets of the world. Norwegian cod-liver oil brought double the price at which the Newfoundland product sold. The process by which the Norwegian article was manufactured was kept a profound secret and was most carefully guarded. A few years ago, Mr. Adolph Nielsen, a Norwegian, became superintendent of Newfoundland fisheries. He speedily made known the Norwegian improved method, which has now been largely adopted. It is known as the freezing process. The result has been already that the Newfoundland oil is able to compete successfully with the Norwegian. Its merits are more and more widely recognized, and its price has doubled. The probability is it will take the lead in European and American markets; for naturally the oil of the Newfoundland cod is richer than any other in all medicinal properties. Foreign vendors have given it the highest testimonials. To Newfoundland the introduction of the new process by Mr. Nielsen is worth many thousands of dollars yearly. He has also initiated new and improved methods of curing codfish and herring, and taught the way of artificially propagating lobsters and cod by the million, so as to re-stock exhausted waters. Rules and regulations for the conservation and improvement of all the fisheries have been formulated, and have been given the force of law, after a careful study of the nature and life-habits of the fish, by the heads of the Department of Fisheries. By all these means the fisheries are steadily improving, and their products enhanced in value. A brighter future awaits these industries.

One other projected industry, and probably the most important, remains to be mentioned. The prospectus of a whaling company has lately been issued, capital \$100,000. Round the

shores of the island are immense numbers of whales, varying in size from 50 to 100 feet. These are not the Greenland or "Right Whale," but finbacks, sulphur-bottoms or blue whale, and pot-heads. Their oil is worth £17 per tun and the bone sells at £30 per ton. In Norway a large amount of capital is invested in this industry, and excellent returns are obtained. Mr. Nielsen, Superintendent of Fisheries, who suggested the project, declares that the waters around this island are much superior to the Norwegian waters. Some of the leading business men of St. John's have embarked in the enterprise. Small steamers, having guns in their bows for throwing harpoons and bombs, are to be used. The Norwegian method is to be adopted.

Other minor industries might be mentioned which are likely to be developed. The island contains enormous areas of bog which hitherto have been of no economic value. But Mr. Sahlstrom, a Swedish chemist of good repute, has been experimenting during the summer and proposes to manufacture a cheap and valuable fuel from the peat, also charcoal bricks, which are free from sulphur and valuable for smelting purposes. He extracts from the bog tar equal to the finest Stockholm tar; and to crown all, he produces "peat fibre" from bog, out of which a rough cloth can be manufactured, thus transforming the useless bogs into gold. All this has been already done in several European countries.

The wild berries which cover immense areas yield materials for the manufacture of the most delicious preserves. Steps are being taken to carry on this industry on an extensive scale and to export the products to other countries. All these facts go to prove that the spirit of enterprise is at work here as a result of the wonderful recuperation which has followed the recent calamities through which the people have passed. A country that can show such elasticity in its industries and trade, and such courage and spirit among its people in meeting difficulties, must have a future before it. The introduction and extension of the railway has shown the great possibilities of the island and given an impulse to many industrial enterprises.

Mining has made satisfactory progress during 1896. The splendid iron mine on Belle Isle, Conception Bay, is now

worked by the New Glasgow Steel and Iron Co., who have shipped large quantities of ore during the year with very satisfactory results. They hold a lease of the property; but it is reported that a second company are about to open another mine in a different section of Belle Isle. The quantity of ore on this island is practically inexhaustible. Tilt Cove copper mine is still worked vigorously and gives employment to 400 to 500 men. The iron pyrites mine on Pilley's Island shows good results, and a large quantity of this ore was shipped to the United States during the season. A mine of chromic iron at Port-au-Port, on the west coast, is worked by an American company. It is reported the results are of a highly satisfactory character. Asbestos mining in the same quarter is prosecuted with encouraging prospects. A mining expert from Scotland has been prospecting during the summer in the north of the island, on behalf of a wealthy syndicate, and spent a portion of his time on the coast of Labrador. The results have not yet been made public.

All this, combined with the late discoveries of coal-areas (to be spoken of later on), increases public confidence in the mineral resources of the island. This, however, is not all. A few weeks ago people were startled by the announcement of the discovery of gold-bearing quartz reefs near Cape Broyle, some forty miles south of St. John's. The discovery was made by an experienced gold prospector, whose attention had been drawn to this quarter. A shaft was sunk on a quartz reef to the depth of a few feet. Two barrels of the quartz, selected at random from the heap at the mouth of the shaft, were shipped by a mercantile firm to one of the most eminent assaying firms in London—Messrs. Johnson, Matthews & Co. Their analysis showed nearly three ounces of gold to a ton of quartz, and over one ounce of silver—value \$60. No sooner was this made known than a gold fever set in, and in a short time fifty square miles around the original reef were covered with licenses to search for gold. The whole district is seamed with quartz veins, and highly mineralized. Specimens of what seems to be gold-bearing quartz have been brought in from several of these veins. A syndicate in Newcastle-on-Tyne, England, sent out a mining expert to examine and report. The character of his report

is not yet known. He was, however, favorably impressed with what he saw, and pronounced the district well worthy of a careful exploration. He found the bed-rock itself—which is the rock of the country—showing in some places a yield of gold to the extent of 8 dwts. 12 grains per ton. Of course it would be altogether premature to build on this discovery until more extensive tests have been applied. The whole matter might end in disappointment, and the gold might not be found in paying quantities. I am, however, in a position to guarantee the *bona fide* character of the transactions I have narrated, and that no trickery or deception has been practised. That quartz containing three ounces to the ton has been found in Newfoundland is an important fact, and indicates that gold may be looked for with confidence among its rough rocks. Many years ago, Mr. Murray, a distinguished geologist, who was for twenty years at the head of the Geological Survey here, predicted that gold would be found. He founded his opinion on the close similarity of the formations here to those of Nova Scotia, in which the auriferous quartz is found. The formations at Cape Broyle are Lower Silurian, and Huronian or Cambrian. The region around Cape Broyle deserves a thoroughly careful examination. It is quite possible that a most valuable gold-field may be developed here, which would add immensely to the interests of the country. The expenditure of a small sum would suffice to test the value of the discovery. Reports of gold having been found in other localities have been current—the most extensive and promising at Ming's Bight, White Bay.

Another proof of the mineral resources of the island is furnished by the recent working of a chrome iron mine at Bluff Head, Port-au-Port, on the western coast. The deposit of chrome iron here is very large. J. P. Howley, Esq., F.G.S.—head of the Geological Survey—estimates that there are 40,000 tons in sight, and indications of extensive deposits in the immediate neighborhood. Three hundred tons were shipped in 1896, and at present 1,000 tons are mined and awaiting shipment. It is leased by an American company who are pushing operations vigorously. The average value of the ore in England is £7 10s., stg. The ore is found in blocks, also in veins 13 feet wide.

The petroleum industry on the west coast gives good promise of success. A few days ago news was received to the effect that the Canadian and Newfoundland Petroleum Co. had struck oil at the depth of 1,000 feet, the boring having been prosecuted since August last. The locality is near St. Paul's Inlet, north of Cow Head, on the western coast. Another company struck oil some time ago on an adjacent claim. The quality of the oil is reported to be excellent and the quantity satisfactory.

The very important announcement has been made that the government has purchased the line of railway running from St. John's to Harbour Grace, $83\frac{1}{2}$ miles in length. The owners of this line were English bondholders who held a mortgage on the property. The company that built the line originally became bankrupt, and it was in the hands of a receiver who managed its affairs with an eye to the interests of the bondholders, which often greatly conflicted with those of the colony. Since the construction of the new line of 500 miles to Port-au-Basque, by Mr. R. G. Reid, the managers of the old line were playing the game of obstruction and seriously interfering with the development of the new. They applied to the Supreme Court for an injunction to prevent the working of the newly discovered coal areas near Grand Lake, through which the new line runs, on the ground that they had land claims here in connection with their charter, and the injunction was granted till the case could be submitted to the Privy Council in England, and thus the areas were locked up. A contract for an electric street railway in St. John's had been made, and the railway company applied for and obtained an injunction to restrain its construction on the ground that it would be an invasion of their chartered rights. They had violated their contract, which was for the construction of 340 miles of railway, and broke down after the construction of 83 miles. An action was taken against them by the government for breach of contract, and the suit has been for years dragging its slow length along before the Privy Council, with much profit to the lawyers, but at a heavy loss to the colony. All the while they were drawing an annual subsidy of \$45,000 from the colonial treasury, and held many thousand acres of land

locked up. By the purchase, which takes effect on the 1st January, 1897, all their land rights are surrendered, also the subsidy; the expensive law suits are ended and the embargoes on the coal areas and the city railway removed. The price paid for all the right, title and interest of the said company was £325,000 sterling, in bonds at 3 per cent. interest. On all hands it is allowed to be a splendid bargain for the colony. All our lines of railway will now be consolidated; and it is understood that Mr. R. G. Reid will contract with the government for the operation of the whole. Fifty miles of the old line, from St. John's to Whitbourne, had to be passed over to reach the eastern terminus of the new line, which gave this company the key of the position, and enabled them to hamper and obstruct the northern and western line. All that is ended; and Mr. Reid will now have a free hand in working the new line.

The construction of the line to Port-au-Basque has made admirable progress during the year, over a hundred miles having been built. Only thirty miles remain, and these will be completed by July of next year. The workmanship is allowed on all hands to be of the first order. There is no better narrow-gauge line in any country. Mr. Reid has fulfilled his contract to the letter, and in the most honorable manner. He is now in Scotland arranging for the construction of a first-class steamer to ply between Port-au-Basque, the western terminus, and Sydney, in Cape Breton. The steamer is to be a sixteen-knotter, and will be fitted up with all modern improvements and comforts. It will make the run in six hours. This begins a new era for the island. Practically it will terminate its insularity. We shall have a tri-weekly mail—possibly a daily—from the outside world. Tourists, travellers, sportsmen, may be expected to come in large numbers. The colonization of the good lands of the interior will begin. The line will bring us nearer to Canada, and hasten the union with the Dominion. In such competent hands as those of Mr. Reid the development of the resources of the island will be judiciously pushed forward.

From careful inquiries among some of our leading business men, I feel justified in saying that the whole trade and commerce of the colony has been this year of a very satisfactory character. The curtailment of credit has been marked, and as

a consequence business has been more steady and continuous, and more equally spread over the whole year. When large supplies were given out as formerly, there was a rush and a pressure at the beginning of the season, and again at the close; now it is more equally diffused throughout the months of the year, to the advantage of all parties. The fisheries, taken as a whole, are somewhat above an average. During January and February of 1897 some difficulty was experienced in obtaining satisfactory sales of codfish in the Spanish and Mediterranean markets, prices having fallen considerably. This was caused in part by a glut of imperfectly cured Labrador fish, and partly by the large importation into these countries of the bounty-fed fish-products of France. This condition of affairs is likely to be but temporary. The Brazilian markets continue good, and in the long run there is reason to hope that satisfactory prices will be obtained for the whole catch of 1896. The cash trade in St. John's is growing fast. This is a healthy sign, a result of curtailed credit, and will help to develop thrift and economy.

On the whole the colony is making satisfactory progress under the new order of things; and may look forward without any apprehension, and with much hope, to the new year on which it has entered.

M. HARVEY

St. John's, N.F., March, 1897

THE MONETARY QUESTION AND KINDRED TOPICS*

PART I

THE PROGRESS OF THE CENTURY

IN its rapid strides onward progress has developed science and arts, improved agriculture and industry, enlarged trade and commerce.

The great French poet, Victor Hugo, admirably defined "Progress" when he called it the "Stride of God."

And the eminent American divine, Henry Ward Beecher, beautifully described the 19th century when he said: "There are ages, like the great Sahara, with nothing growing in them for hundreds of years; and there are ages that bud and blossom. This is one of those ages."

The wonderful scientific inventions and discoveries of the century are immense factors in the material revolution which has taken place in the economic world; they have simplified the process of agriculture, lessened the hardship of labor and increased the productive power of energy and industry. Even the old soil has become more prolific under scientific treatment.

These elements of wealth and welfare are forming a powerful lever, which is the realization of a scientific triumph that is gradually increasing the prosperity of nations, embettering the condition of man, raising the standard of life, and stimulating labor and capital into greater activity, whilst bringing about closer intercourse between men and nations.

All these show that the creative genius of man must have resultant effects beyond human calculation.

And now that distances have disappeared, that nations are

*Read at the annual meeting of the Canadian Bankers' Association, held at Ottawa in September, 1896.

within an electric flash of each other, that the steel rail encircles the globe, that commerce and industry enfold the universe and bring to bear the weight of their influence in the scale of empires, a new order of things has been created; and an impetuous current is bearing genius and energy towards new fields, opening out new horizons and a world of possibilities to mankind.

Hence if progress is indeed "the Stride of God," and if this is one of the ages that "bud and blossom," both are certainly assuming that form which leads to the expectation that the cost of home comforts and the means to acquire them may be brought to an equitable level in accordance with the wants of mankind and the spirit of the times.

THE MEDIA OF EXCHANGE, MONEY AND CREDIT

Whilst the events just described followed their course, the ever-growing business affairs of the world have also undergone rapid changes, and developed new methods. The mechanism of exchange and that of finance had to be brought into such close relationship as to render them the necessary auxiliaries of one another—an operation which opened out a wide field of study in monetary matters, and made of banking and currency one of the leading branches in economic science.

But though monetary science has developed, there is some indefiniteness in its practice—something incomplete in its wheelwork which retards the establishment of a possible efficient system of international and domestic currency.

* * *

The more commerce develops, the more it becomes evident that the measure of value—"money"—should not be one in name only, but that it should, *de facto*, be a common denominator, an absolute unit of value. It should be constructed on such a scientific basis of stability and usefulness as to ensure absolute confidence. Otherwise transactions between men or nations might be frequently disturbed and a depreciated currency would reduce all business to pure speculation.

My definition of money is that it is an idea, a principle.

This may appear paradoxical, but it is not. It is not money in its character of a unit—a conventional sign—covered by the political authority of a nation—that fluctuates, but the metals of which it is composed.

* * *

The medium of exchange does not consist in one idea alone. There is another idea, another principle just as important, and that is "credit"—which I need not describe otherwise than, as eminent economists say, that it is capital, that it multiplies specie, and places property in the hands of those who will make it valuable. It is one of the most powerful factors in the commercial and financial operations of the world.

It is certainly the chief underlying factor in periods of activity and prosperity, as well as in periods of inflation or depression.

Credit is in fact an elastic capital, which may be rendered productive of good or evil, according as it is employed. Abuse of credit disturbs the stability of prices and produces those periods of depression with which every country is visited, and which are the reflex of a wave of stagnation that may be looked for as regularly, every decade, as the precession of the equinoxes.

* * *

I have defined money and credit as ideas and principles with forms and methods of their own—but to set their machinery in order, and to keep it in constant motion, an agent or medium is required. And the medium of the media is the bank. Hence banks are nothing else than an admixture of money and credit, a huge combination of both—the largest medium of exchange—the agency of men and nations.

* * *

Paper money, although one of the forms of credit, should be considered as one of the media of exchange. It has assumed such enormous proportions that it forms no mean ratio of the entire currency of the world—the estimate of which is 4,086 billion dollars in gold, 4,071 billions in silver, and 2,564 billions in paper.

And hence this is now called the paper age.

Occasions of paper money depreciation are exceptional. General upheaval in political government, revolution, war, and defective currency laws, are the principal causes leading to depreciation. During the French Revolution "assignats" were issued as a means of borrowing money. Notwithstanding the fact that these became depreciated with the second issue, other issues followed, and the total reached the fabulous sum of thirty-six billion francs. In order to counteract the heavy declines, which followed as a natural consequence, legislators enacted penal laws against exchanges of coin and paper, unless at par. A maximum price on commodities and other iniquitous laws were enforced. But these were of no avail, for when France commenced to redeem this currency it was not worth the 200th part of its nominal value. The American Republic underwent a similar experience. During the Civil War specie payments were suspended and only resumed in 1878, gold had disappeared from circulation, and the famous greenback rag-baby was issued to cover the national debt, which the war had so greatly increased. Commencing at a premium of 2 per cent. in 1862, the price of gold had risen to 258 in 1864, and did not reach par until fourteen years later, at which time the outstanding amount was 347 million dollars.

THE MERITS OF THE STANDARDS GOLD AND SILVER

One of the most momentous, and perplexing problems of the age is undoubtedly the establishment of a proper financial mechanism of exchange between nations. Monetary systems are not alike, and endeavors are made to modify existing disparities so as to ultimately bring about general uniformity on the basis of a unit of value.

The first difficulty in the way is to find a material having a durable and readily ascertainable value of its own, and possessing other qualities indispensable to the functions of an unvarying measure of value. In the earlier times many fruitless attempts were made to establish a convenient medium acceptable to all, and, after having employed as such various articles

of commodity which were as often discarded as tried, it had to be admitted that gold was the nearest to the perfect thing, so, without universal enactment, but more through a binding custom brought on by the natural laws of fitness, gold has been adopted by man as the conventional representative of the unit of value.

The theory of economists is that there is no such thing as absolute value, and that gold, though a measure of value, is nevertheless subject to certain fluctuations which determine corresponding variations in the price of commodities. A concordant theory is that, to be an invariable standard, gold must always be produced by the same amount and cost of labor, and in such graduated quantities as shall constantly bear the same proportion to the demand for it; that if gold maintains the same value in relation to itself, notwithstanding the diminished value of other articles, its proportionate value is practically increasing.

My belief is that if we investigate the motion of the so-called fluctuations of gold, we would find them restricted to demand and supply.

We have had but rare occasions of gold discoveries so large as to cause a depreciation. On the contrary, the more is found the more it seems to become appreciated, and almost concurrently with increasing supplies the prices of commodities have decreased. So everything fluctuates in relation to every other thing, and the motion is a circulating one, for money, as a rule, flows back to money centres, where it resumes its level. Hence, if there are differences in the value of money, it is between its instruments and not because of money itself.

It is, therefore, as to their relative value as precious metals that the standards are discussed.

* * *

The innate superiority of gold is never questioned; the objection is in its sensitiveness to the laws of demand and supply. Its native value lies in its usefulness for industrial and artistic purposes, in which it is estimated that from 60 to 70 per cent. of the world's production is employed to excellent effect. It outlasts everything else; it is of a com-

pass twenty-seven times smaller than silver, and therefore more commodious; it is in constant demand as merchandise; and, because it is also desired as money, its marketable value is steadier than that of any other commodity. But the value of silver cannot be belittled; it is, to all intents and purposes, the best available auxiliary to gold as subsidiary money.

In the times of the Romans gold was about ten times as valuable as silver, and silver ten times as valuable as copper.

From the beginning of the sixteenth century to the middle of our own, the quantity produced exceeded that of gold more than thirty-two times, and the fall in value 39 per cent. In the sixteenth century the ratio was 1 to $11\frac{1}{2}$; in the seventeenth 1 to $12\frac{1}{2}$; in the eighteenth 1 to $15\frac{1}{8}$; and in the early days of this century it was 1 to 15.65.

The English shilling was originally the twentieth part of a pound weight of silver; it is now the sixty-second part.

The loss of purchasing power in silver during the past decade has been remarkable. In 1873 it sold at \$1.21 an ounce. In 1876 the price had fallen to 94 cents or a ratio of 1 to 20. It advanced to \$1.02 in 1883, and receded to 88 cents ten years later (1892) and fell further to 55 cents in 1895. It is now worth about 69 cents, or 1 to 29.96.

Here we have a practical and pointed illustration that the value of silver is regulated on gold, and that, while gold remains steady (whatever its form or stamp), and carries with it its worth in weight, in all countries, silver, on the contrary, is constantly disturbed.

And it is proven by experience that every important change in the natural disparity of power between gold and silver, causes the disappearance of the dearer metal until equilibrium is restored. Should the bullion price of either metal be above the nominal value of the coin, that metal is sure to be exported or employed to more profitable purposes.

* * *

Scarcity of money produces lower prices, and abundance produces higher prices in labor, commodities and property. But we must distinguish between money and a specific kind of money.

Scarcity of money occurs in specie countries when coins have disappeared, and that is real scarcity. But where there is an elastic system of currency, money need not be scarce unless for causes which render scarcity artificial. Artificial scarcity is when those in want of money have nothing to give in exchange. Scarcity of gold or silver is artificial scarcity of money where the latter has other substitutes. Gold is generally exported when trade balances are adverse, and returns only when trade balances are reversed, unless, indeed, credit, or extension of time, or substitution of a form of debt, is resorted to—such as issues of public bonds or other securities which are a means of replenishing public coffers. Money is also displaced at different seasons for the moving of crops and other purposes.

And it is thus that circulating operations are performed and maintained, and within their cycle evolve the agio of gold and the variations of price.

As the production of silver doubled during the past decade and its value declined to about half of the legal ratio, it will be necessary to find another ratio and general recoinage on a new basis must be resorted to. And the loss thus occasioned must be borne by each nation according to their present issues—a far more dignified proceeding than experimenting on a currency of fictitious value and of a nature to create unparalleled disturbance throughout the world.

PRODUCTION AND THE VALUE OF COMMODITIES

The immediate determining cause of fluctuations in the price of commodities is demand and supply, and we all know that production varies in quality and quantity, according to conditions of soil and climate, labor and machinery.

But as labor is the chief factor of production, it follows that the cost of labor determines, to a great extent, the price of commodities; hence, where prices of labor and commodities are at variance, that of commodities must return to its natural level, or production becomes impossible because unprofitable, and therefore must cease.

And again men's aptitudes are not alike, neither are their opportunities, therefore they cannot produce alike. The same

rule applies to nations. Some men have the faculty to acquire, some to conserve, others have neither quality. Some more fortunate become comfortable, and therefore comparatively rich; some become very wealthy, whilst others are born and fated to be poor.

" Some men were born for great things,
Some were born for small;
Some—it is not recorded
Why they were born at all."

These considerations, apart from the general ones already mentioned, should, I think, lead us to the conclusion that the causes of fluctuation in the price of commodities are really not entirely dependent on the greater or lesser supply of either gold or silver.

* * *

I have just referred to labor and production, and it is well, before I change to other considerations, that I should indicate the price of labor, and the variations in the price of certain leading staple products.

Unskilled labor throughout the world ranges all the way up from 10 and 20 cents a day to \$1.50 and \$1.60, and skilled labor from 20 and 40 cents to \$2 and \$5. In other words, the price of ordinary labor is from eight to sixteen times as much in gold countries as in silver countries, and skilled labor is worth from ten to twenty-five times as much.

* * *

If we examine the Chicago Board of Trade returns of the past thirty-two years, we shall find that wheat has varied from 80 cents a bushel in 1863 to \$2.85 in 1867. From the latter date it fluttered downward to 73 $\frac{1}{4}$ cents in 1870. Advancing to \$1.76 $\frac{1}{2}$ in 1876, it receded further down to 69 $\frac{1}{2}$ cents in 1884. In 1888 it rose as high as \$2, but it came down again, and in its erratic course fell to 48 $\frac{3}{4}$ cents in January, 1895. The highest price last year was 85 $\frac{3}{8}$ cents. Of late years the production of wheat, which stands in respect of other cereals in a similar relation as gold to silver, has enormously increased in

the United States, India, Russia, Argentina and Canada. It is calculated that in some of these countries the increase in wheat crop doubles the average increase of population.

Now corn has followed a somewhat similar erratic course to wheat. Since 1863 the highest figure was \$1.40 in November, 1864, and the lowest was 25 cents in 1895.

Oats were 90 cents in 1867, and gradually declined to 16½ cents in December last.

Mess pork was worth \$43 in 1864, it fell to \$6.02½ in 1878, the lowest in thirty-two years. In May, 1895, the price had increased to \$12.87½, after which it receded and fell to \$7.50 in December last.

Lard had reached \$30 in September, 1865, but with a series of erratic movements it fell to \$5.15 in December last.

Other commodities have followed a similar downward course, but labor fairly maintained its price. If prices are, at this moment, probably lower on an average than ever before, it is mainly and principally due to the changed conditions of labor, production, commerce, transit, finance, and to the methods of modern business generally—elements which are making the world smaller and more productive. So again I must say that prices of commodities are really not so dependent on or regulated by the supply of either gold or silver.

PART II

THE BATTLE OF THE STANDARDS IN THE UNITED STATES

In no country is the monetary question discussed with more interest, with more vigor and greater acrimony, than in the neighboring Republic, where, unfortunately, it is taking the form and proportions of a gigantic political strife which may lead to the most serious consequences.*

The currency reform has become the leading plank in the political platform of both contending parties on the occasion of the coming presidential election, and because of it each party

*It will be borne in mind that this paper was prepared before the Presidential election had taken place.

is now as a house divided against itself. There are two parties within each party. In one party there is a section in favor of the gold standard, while the other section advocates the double standard. The Republicans have, as a body, adopted gold monometallism, but the minority are against it. And conversely the Democratic party, as a body, are making gold and silver an exceedingly live issue in their campaign, whilst the minority are gold monometallists.

The country wherein is found the leading adherents of free silver coinage is that covering all the States west of Missouri River, those west of the Mississippi, and several States commercially interested in those just described, and which are called the "Silver States," and, in so far as they are concerned, the result of the battle of the standards is one involving a serious loss or great prosperity. This evolution in the policy of both parties creates a new sectional issue between the people of the East and between those of the South and West, and may operate a radical change in the political division line now located between North and South. Now the East is apparently apportioned to the Republicans and contains elements of no mean strength and wealth. The West contains many heterogeneous, ignorant, destructive and lawless people in the midst of respectable and well-to-do farmers, and an otherwise wealthy and prosperous class of citizens.

In this is to be found the real seriousness of the situation. These elements can no longer live together without breeding serious agitation and developing the existing though undefined separatist sentiment which is brooding between the North and South, the East and West—a sentiment which may at any moment develop into ominous consistence and materialize in the disintegration of the great American Republic.

* * *

Now, the ambition of the Silverites means that silver, which is constantly fluctuating and depreciating and is not now worth more than 69 cents an ounce or 53 cents to the gold dollar, should be unlimitably coined to all corners of the world at the existing legal ratio of 16 to 1, that is to say, at \$1.29 an ounce or \$1.00 to the gold dollar. And this ambition arises at a time

when the silver States can produce silver in greater abundance and cheaper than ever—and at a progressive period of the age, when nearly every nation has a paper money of its own and other instruments of exchange far more commodious and convenient than silver.

Evidently the object of the silver States is no disinterested one. It is derived from pecuniary calculations intended to create a compulsory sale of a metal of which they hold and can produce such enormous quantities.

However, the silver heresy is spreading in an alarming manner, though no logical reason why it should be so can be pointed out. But it is sincerely to be hoped that Silverites require more than their inflammable rhetoric to induce the people of the United States to resort to an unlimited and free coinage.

* * *

It is unfortunate that a question of such paramount importance, one involving principles and theories belonging exclusively to economic science, should be removed from its legitimate domain and carried into the arena of politics, to be discussed by demagogues on public hustings, before a mass of people who have no accurate knowledge of political science nor of the conditions of society, and who are in woful ignorance of monetary history, and therefore cannot grapple with such intricate scientific problems; and finally to be subjected to a solution by that which is equivalent to a popular vote, an election of a President of the United States.

We all, more or less, have seen and heard of the effects of oratorical skill and ingeniousness on popular audiences, and know that erroneous and sophistic arguments may carry masses and persuade them into very wrong directions, if not to their own perdition. This is a question of scientific economy, not of politics. Misconceptions are sure to arise when the scientific bearing is not thoroughly understood, for to the uninitiated there is no question that leads to so many mischievous fallacies. We have an illustration of this in the mere fact that men can be found so rabid as to exclaim :

“Coining money is an act of sovereignty, and we, the people, are the kings and rulers in this democratic land, and should be able to decide intelligently on the subject.”

And again : " I am anxious to see this silver question in the hands of the sovereign people, or as Lincoln called us, ' the common people.' It must be taken and decided by us at the ballot box, and by our personal influence."

* * *

Were it not that Americans do not themselves believe in the possibility of such a national calamity as free silver coinage ever befalling them, their banks and their Treasury would, ere this, have been depleted of gold. Nevertheless, there is no doubt that under the impulse of fear by some, and prospects of speculation by others, hoarding of gold has already commenced. The controversy has already produced a species of panic sufficient to induce the removal by its owners of a great deal of their money to Canada.

THE UNITED STATES BANKING SYSTEM

The position of the banks of the United States and the banking system are reasonably made subjects for consideration at the present juncture, and it is within the scope of this essay that a short sketch of American banking and of the working of the " Treasury " should be given.

Though there are excellent features in the banking system of the United States, it, nevertheless, remains a compound of fragments taken inconsiderately from the older countries, instead of a scientific combination of good elements brought together as a result of well defined theories, sound principles and practical experience. Frequent legislative interference and conflicting laws have complicated matters and handicapped both banking and currency. Federal restrictions have curtailed currency, besides creating a constant conflict between National and State banks, and because of this banks frequently change their status from federal to State charters, and vice versa.

The functions of the government are, amongst others, to coin money and regulate the value of it, a power withheld from States, who may, however, incorporate banks, but subject to what nearly amounts to prohibition as regards paper issues, a

ten per cent. tax—a tax which is now being contested on constitutional grounds, although the present banking system was organized in 1863.

It would appear that the aim of legislators has been to protect the paper issues regardless of consequences to depositors and shareholders, and the question arises whether these laws are not too stringent and over-burdensome.

The Treasury department issues circulation to National banks to the extent of 75 per cent. of their paid capital. Against this circulation banks are required to deposit government bonds on which 90 per cent. of circulation is issued (on a par value of the bonds), leaving 10 per cent. and the premium unavailable for banking purposes. The Treasury also holds a "Redemption Fund," contributed to by banks, which now amounts to about \$20,000,000, a feature recently introduced into our system.

There are times when the premium on government bonds thus deposited becomes so high as to render circulation unprofitable, and as a consequence banks curtail their own circulation. This shows that no paper currency can have the requisite elasticity when it is covered by bonds, as under the American system. American banking is characteristically described by an American economist, who says that "a National bank obtains deposits to some extent because of the character its federal charter gives it, while most of the smaller State and private banks have only the character of the men who organize them."

At the annual meeting of the Tennessee Bankers' Association, recently held, a prominent banker of that State referred to our banking system, and advocating its adoption, said that "a bank circulation such as that of the Scotch and Canadian banks has the true requirements of a bank note issue—it is safe, sound and elastic." This, he adds, is the ideal condition, and he enquires how Americans are to approach it from their present position. Evidently the American banking system should be modified so as to permit of its extension by means of branches; a flexible and convertible circulation limited to the unimpaired paid capital; secured by a first lien on assets, double liability of shareholders, joint responsibility between banks, with government backing of the whole circulation.

This would help to regulate the silver nuisance and would

remove the government notes. If the commerce of the United States is in sound condition, the assets of banks in good shape and government in good odour of credit, as they are presumed to be, such a bank note issue should be safe and secure beyond the possibility of doubt.

THE AMERICAN GOVERNMENT CIRCULATION

Instead of the present large and obnoxious silver circulation a paper currency constructed on the basis indicated could safely be extended, although the United States are not far from a per capita supply of money equal to that of any other nation of the world. Its capitation is nearly on a par with Belgium, Australia and Holland, who are only surpassed by France. And the Americans distance such countries as Great Britain, Germany, Austria, Russia, Japan, India and China.

Another proof that they are in need of a more flexible currency, rather than of an enlarged one, is that the country and in fact other leading nations have an abundance of money awaiting investment.

In July last United States' money in circulation consisted of:—

Gold coins.....	\$456,000,000
Silver certificates.....	331,000,000
Greenbacks.....	2,6,000,000
National Bank notes.....	216,000,000
Treasury notes.....	95,000,000
Subsidiary silver.....	60 000 000
Silver dollars.....	52,000,000
Gold certificates.....	42,000 000
Currency certificates.....	32,000,000
Total.....	\$1,510,000,000

Apart from this the Treasury amounts to 795 millions, less 664 millions in certificates, treasury notes and bullion, leaving a balance of 131 millions, or a grand total of 1,641 millions cash.

Now this is quite a large variety of forms of money for a progressive country like that of our republican friends.

I have described the national bank note system, and presume I need not enlarge on the familiar history of the greenback issues beyond saying that many expedients were resorted to in

order to inspire confidence, but without effect, though, as Mr. Sherman said, they had been carefully limited in amount, and invested with every quality to improve their value and condition. They illustrate the theory that a national issue, unless with substantial backing, is the most dangerous element in currency.

The Treasury Department is defined by an American economist as "a bank, the counterpart of which exists nowhere in the world to-day; a bank with unlimited credit, which it cannot use; vast resources not available; issues out of all proportion to reserves; cellars full of hundreds of millions of useless silver; no power to operate; with none of the privileges of the ordinary bank or individual; paralyzed completely on the side of executive action; its doors wide open to the outpour of gold, furnishing itself the legal instrument of suction to be used over and over again to exhaust the precious stores, but on the other hand cut off completely from power to replenish except through one small antiquated aperture—the 5 p.c. bond."

It is only a few weeks past that in order to protect the Treasury, leading national banks and foreign private bankers had to come to the rescue and agreed to furnish up to \$75,000,000 in 60-day bills of exchange and other documents, at a price below the cost of gold exports, thus checking the outflow of that metal. This attempt at artificial protection is a serious comment on the system, but the action of bankers averted the panic into which the country had been about to pass.

I must acknowledge that the enormous extent of its trade and commerce, the immenseness of its resources, warrants the handling of a large circulation, but I find that the supply is not incommensurate with requirements when it is compared with that of other countries. And I readily believe that were the system reorganized on the basis indicated—and which is not a new suggestion—there would be sufficient money to respond to the legitimate needs of the people.

A fair supply of circulation indicates wholesome activity, a large one is dangerous, and has disturbing and distressing effects worse than scarcity.

Money unemployed is unproductive. When employed it is profitable because it stimulates production which otherwise would be restrained and create loss. It utilizes labor which produces wealth and commodities.

PART III

GOLD OR SILVER

It is not the value of gold as a standard which the world discusses, but the opportuneness of using either gold or silver as a single standard, or of using both concurrently.

There is an underlying principle that must prevail whatever happens, which shall ever make of gold the real basis of a unity of system, because it is already either a legal or a conventional standard of value in every part of the world, and because its steadiness is such that all things must adjust themselves by its value. It is of course undeniable that no currency system could be complete unless with a limited supply of silver as minor coin.

* * *

Bi-metallism may be well enough as it was in the United States, previous to 1873, when silver mines were still undeveloped; but since that time, the world's silver production has so increased as to disturb all calculation.

Now with silver reduced to 50 per cent. of its recent value, bi-metallism means a delusive money—a disguise for sound currency—and, as silverites would have it, the nullification of 47 per cent. of all American national and private debts which were not stipulated payable in gold coin; and that, for the exclusive benefit, not of the nation, not of the state,—but of the owner of the mine.

The national government is the sovereign authority in coinage, but the moment it undertakes to coin all silver offered, it divests itself, absolutely, of a royal and invaluable privilege which it foolishly delegates to mine owners, who thus become the real coiners of the realm. And the proposition of the silverites is, virtually, that the country should, at its own expense, coin silver, to all comers, at a given ratio of 16 oz. of silver to one of gold, when it should be, at least, 30 oz.; the significance of which would be the enrichment of owners of every productive silver mine in the world, at the expense of the United States of America.

Silver adherents contend that other countries would necessarily follow in its footsteps, should the Republic adopt free coinage.

Yet it is known that the consensus of European opinion is favorable to gold with silver as an auxiliary, coined to its full marketable value, on a parity with gold, and, in quantities restricted to local requirements on the basis of population.

* * *

The theory of bi-metallists reminds one of the fur trade with Americans Indians, when Wampum was the currency, and which could be got for a measure of fire-water. Traders bought furs with the Wampum, and the Indians rejoiced in the accumulation of currency; but their awakening was distressing, when negotiations were over, and they realized that the traders had all the furs and they all the Wampum.

Should bi-metallism carry the day in the United States, foreigners would gather all the American gold and Uncle Sam would have to content himself with his own defective offspring, and might have to shoulder the silver Wampum of other nations as well.

* * *

No government can maintain together, at an equality of value, any two standards, one of which is worth half of the other, without causing depreciation in prices of other things, and thus creating disturbance and confusion.

Utopists believe this can be done, in a country where the actual supply of money is $8\frac{1}{4}$ times over the per capita ratio of the largest silver nations having ten times its population, and holding three times as much in silver, of which twice as much per capita lies dormant in its Treasury.

I think that a sound practical question could be asked of silverites, and that is:—Why is silver stored in permanence in the treasury, and paper certificates issued if silver coin is so necessary to circulation? "

* * *

The theoretical worth of an ounce of silver is \$1.29, and the real worth 69 cents, thus making the present silver dollar actu-

ally worth only 53 cents. So when Americans circulate one silver dollar, really worth only 53 cents, together with a gold dollar of full value, it follows that gold will either be exported at 100 cents in the dollar, in payment of foreign purchases, or exchanged for silver to foreign and home purchasers at the rate of one dollar for about two of silver, otherwise it will be hoarded or go to the melting pot to serve more profitable purposes.

We can readily imagine what handsome fortunes would be in store for mine owners should bi-metallism become the currency. . . .

And what immense profits to a country honeycombed with silver mines, as Mexico and the United States, if they were permitted to pay their national indebtedness in silver bought at the current rate and coined under such a degraded coinage as that proposed.

* * *

The Mexican dollar contains 420 grains or 55 cents worth in pure silver, and freely passes at 50 cents in the United States.

The American dollar contains only $412\frac{1}{2}$ grains and is worth 53 cents, yet it circulates through the length and breadth of the land—amongst Democrats as well as Republicans—as a good and sound dollar ! !

But then it must be noticed that it bears a device appropriate to the times—"In God we trust."

I presume our American friends do not consider this an emblematical expression, and that they do not trust in God alone to indemnify the loser of the 47 cents.

We are told of a recent transaction in Mexican bonds which were bought at 48 cents on the Mexican silver dollar, and were paid for in American silver dollars. Now it so happens that, although the Mexican dollar is a better coin and circulates at about 50 or 52 cents, the inferior one circulates at full value—the Mexican bond therefore actually realized only 26 cents of its nominal dollar value.

* * *

The dogma of free silver coinage has but few adherents in Europe and bi-metallism is losing ground.

We have seen Russia and Austria discarding silver for

gold, and, were it not that the bulk of her trade is with China and India, semi-bi-metallist Japan would ere this have been converted to the gold standard.

If we were to measure the wealth of this silver group—which contains more than one-half of the population of the globe, or about 700 million people—by their actual money supply, I should say they were the poorest nations upon earth, for its per capita ratio is only \$2.85, whilst in the United States it is $8\frac{1}{4}$ times as much, or \$23.59—and labor is as many times higher.

And if Japan has closer connection with commercial nations and resultingly finds her trade improving and the price of commodities rapidly coming to the level of more advanced nations, it is because she now employs as much gold as either silver or paper.

The fact is, Japan has more gold than China and India together, who have fifteen times more population.

* * *

The contention of bi-metallists is summarized in the sophism that gold means the enrichment of the money-lending people at home and of the capitalist abroad, the prostration of industry and impoverishment of the people. But it falls to the ground when we compare labor prices, trade operations and the amount of money of all kinds held in gold countries, with silver countries like India and China.

* * *

Public securities issued by gold countries invariably command better prices. And if Americans obtained money on their securities, under advantageous conditions, it is simply because their monetary system is on a gold basis.

A significant fact in connection with the apprehended adoption of free silver is that foreign investors are disposing of their American securities, and those at home, who lend on real estate, stipulate that their money shall be returned in gold.

One of the great arguments of silverites is that gold is a British policy, and its adoption has brought other nations into financial servitude to London, that Great Britain has a hold

on the American system, and that until the nation shall wrench away Great Britain's grasp upon it, the country must suffer all kinds of miseries. . . .

But Americans forget that if either Great Britain or France have honorably acquired rights to property in the Republic, it is solely because the latter sought relief in foreign capital and found it on the strength and faith of a tacit national contract that the same good money would be honorably and loyally reimbursed—an honorable contract which no honorable people should attempt to subvert or voluntarily destroy. It is estimated that the United States pay to Great Britain, France and other countries no less than from \$300,000,000 to \$400,000,000 per annum in interest on loans and investments in commercial and industrial enterprises.

But silverites seem to care nothing for consequences, so emboldened are they in their endeavors to succeed. They avowedly appeal to some of the least creditable feelings of the poorer classes, and, proclaiming grand patriotic sentiments, they inconsistently demand the free and unlimited coinage of both gold and silver at the existing ratio of 1 to 16, without awaiting the aid of other nations; they demand that the almighty American silver dollar shall be a legal tender, and that the government be given the option of redeeming its obligations in either gold or silver—which is a proclamation of repudiation in its most insidious and disloyal form.

* * *

From the organization of the currency system in 1792, when the ratio was 15 to 1, the country was on a bi-metallic basis until 1873, when the gold standard was adopted. From 1792 to 1832 the coinage of silver had only averaged \$150,000 a year, and from 1832 to 1859 the coinage was nearly 1½ million dollars, all of which however was exported when in the later years silver came to be worth 3 to 5 per cent. more than the dollar. In 1859-60 as much was coined as in the previous 50 years, and this also disappeared in exports.

After the civil war mining operations were resumed and the silver production of the United States increased considerably. In 1876 it was 39 million dollars, in 1886 it had reached

51 millions, and it was 60 millions in 1894. The world's production was 51 millions in 1866 ; it amounted to 88 millions in 1876, and in 1886 it was up to 121 millions. This was nearly doubled in 1895, when the unprecedented sum of 217 millions was reached, thus more than quadrupling the production of 1866. The world's gold production of 1866 was 121 million dollars, that of 1876 was 104, and that of 1886 was 106 millions, whilst that of last year was 207 millions.

* * *

According to silver adherents the law of 1873 was the cause of all the financial and commercial evils which have since befallen the American nation. This law, which was discussed in Congress and Senate for three years before its adoption, enacted the contraction of greenbacks and the demonetisation of the silver dollar, which was then worth \$1.03, and silver men pronounce it a huge blunder and say that both Congress and the people, at the time, entirely failed to see the inconsistency of the reasoning of those who favored it—which was, that the government could get the gold to make a dollar more than 3 per cent. cheaper than they could get silver to make a silver dollar.

* * *

Then came the law of 1878, requiring a monthly minimum silver coinage of two million dollars with a maximum of four millions. But to the disgust of silverites who wanted the government to settle its obligations in silver, the administration wisely limited coinage to the minimum. Such an example to the world, silverites boldly exclaim, would have been so wholesome and so commanding that the world would have followed it ; and, they add, the existing inequality between the value of the two metals, as well as the injurious depression in prices, would have been corrected.

* * *

And we are told how commodities have increased after the gold discoveries of Australia and California, until a crisis produced a reaction. But it is not said, as it should be, that the reaction was the result of over-production, over-trade, over-credit

and speculation—elements which generally follow the entry into the greater marts of every important addition to the supply of specie.

And now it is asserted that the demonetisation of 1873 reduced the price of commodities and produced a scarcity of gold which enriched the wealthy, and therefore that the parity between money and production is lost. It is a curious fact to notice that in 1873 the gold production in the United States was 36 million dollars, and that since that date, that is to say, during the past 23 years, the same average was maintained, though the world's production more than doubled during the same period.

In endeavoring to thus attach the responsibility of lower prices on legislation, silverites allege that the depreciation is local rather than universal ; they instance the price of Indian wheat, which they say did not fluctuate of late years. I had no time to look up statistics as to this, but I believe that India produced as much as ever, but exported less for want of a market, and that notwithstanding the fact of freights, by ship and rail, being lower. Home consumption was no greater than usual, and therefore the wheat of India, like that of the Mississippi valley and like that of our own North-west, evidently had its erratic turns, and is not now worth proportionately more than American grain. And it should be remarked that the production of Russia and Argentina has more than doubled the past few years.

* * *

Let us not imagine that the general decline in prices of recent years has no cause of a wider range.

Who can doubt that throughout the world every product of human energy, of nature and art, has fallen in value in response to forcible causes originating in the marvellous development in science and arts—the wonders of which not even the most imaginative of men could have ventured to predict ?

And underlying these, money, credit and banking have operated wonderful changes.

Another cause of the decline is to be found in the reaction which set in in civilized countries after the opening of new avenues of production and of commerce, and which was brought

on by the building and equipment of 420,000 miles of railway, and the construction of miles upon miles of canal work—wherein hundreds of thousands of men were employed, the great majority of whom have since sought life in agricultural and other pursuits, thus increasing production and consumption.

* * *

If we take all these things into consideration, it is impossible to conclude that abundance or scarcity of silver could alone cause an increase or a decrease in the general value of commodities.

If we were to measure prices by the present value of silver they should be 100 per cent. higher than 20 years ago, when silver was 100 per cent. more than to-day.

* * *

Unrestricted coinage in countries where silver mines are so abundant as in the United States and Mexico, would be like opening mills to the free manufacturing of flour, regardless of the needs of consumption. In my opinion it were better that an army be held on guard over a silver mine than to drain its treasures in such quantities as to vulgarize the use of silver. Instead of free coinage I should prefer a graduating royalty on all silver products.

* * *

Great stress is laid on the condition of the agricultural class because products are cheaper than 20 years ago, and because a farmer must repay in good money the good money he may have borrowed when silver was worth more than to-day. And with conscious bias, fault with the currency is found when it should be laid at the door of the borrower. If the borrowed money has not produced adequate returns, and graduated upwards as silver declined, the farmer must look homewards for a cause, and I am sure that in 99 cases out of 100 it is attributable to inability, mismanagement, misfortune, or perhaps to the worthlessness of the farm. So it would be inconsistent and unfair to regard such an isolated case as a criterion.

If products are cheaper, so are other goods, and there is compensation.

Money in gold countries is cheap and plentiful. In most of the continental cities the open market rate is close to 2 per cent., while in London it is below 1 per cent. Russia alone quotes $6\frac{1}{2}$ per cent.; but Russia is a convert to gold only of recent date.

Germany changed in 1873 from silver to gold; and Berlin quotes its rates of interest at $2\frac{1}{4}$ per cent.

* * *

An eminent statesman says that "the greatest crime short of absolute political enslavement that could be committed against the workingman in this country would be to confiscate his labor for the benefit of the employer by destroying the value of the money in which his wages are paid. This irreparable wrong can never be perpetrated under our system of government unless the laboring man himself assists in forging his own chains."

The wage earner and the man of fixed income are restricted in their mode of living to the money they receive, but as prices recede their dollar rises in value and purchases more. But the question as regards the wage earner is where to get the dollar?

There is, as a rule, fair employment for the willing and deserving, and if we look over the statistics of wages we find that save in silver countries, the average rate has improved and that working hours are shorter. The relative purchasing power of one day's labor was 1.29 in 1873, twenty years later it was 1.81. If people are paid in silver dollars, worth only 53 cents, are they not literally defrauded of 47 cents to every dollar? Is it likely that commodities could shrink 47 per cent. more to re-establish the requisite equilibrium? Certainly not.

Hence may we not ask with a feeling of alarm:—What is to become of the great majority of the people if salaries, wages, income and benefits are reduced 47 per cent.? What of the poor man's economies and of the millions under deposit in banks and other institutions, should the mine owner become king of the land?

* * *

How Americans can hope to develop their trade at home and their commerce abroad with unsound banking, a depreciated currency and an impolitic fiscal system, it is difficult to surmise.

The bulk of their commerce is with gold countries, and foreign goods must be paid in foreign money. So if two metals, one inferior to the other, became current in the United States, foreigners will choose the best for themselves, paying their own purchases in the coin of lesser value.

* * *

If I were guided in my judgment of the probable result of bi-metallism as proposed in the United States by the sophistic arguments and fallacies propounded by the advocates of free silver, I should certainly imagine that the country would soon become a real Eldorado. But if on the contrary I am guided by economic teachings and their influence, I should say that Americans would seriously assail their commercial and national credit, injure or destroy their commerce, and complications would threaten with novel dangers the stability and existence of their best institutions. And therefore the Republic would be opening its doors to all kinds of disorders, the least of which might not be socialism and lawlessness.

I should also say that the maintenance of a gold standard is maintenance of individual and public credit; that the greatest good of the greatest number cannot be promoted or safely guarded without it, unless silver be restricted to specific minor duties both in domestic and international affairs.

Hence I must conclude that the proposition discussed is one of the most insidious and bold attempts to disgrace a nation, to defraud individuals, to injure trade, to destroy commerce, to paralyze industry and to impoverish the farmer, the working class, the man of income or of salary, all of which constitute the great majority in the United States (for the benefit and advancement of a few silver monopolists)—that has ever been devised or dreamt of by human mind; a scheme which surpasses the conceptions of those who degraded coinage under royalty in olden times.

* * *

If the United States were to adopt a system which would make of both metals a standard measure on a parity of value and of an unlimited issue, the greatest calamities and a series of

irreparable losses would be apprehended. Free coinage of silver as proposed, would be the first milestone on a road leading to a series of unprecedented commercial and financial disasters.

Hence in conclusion I should say that the facts which statistics prove and which financial history records are of a nature to confirm the theory of political economists who believe in a gold standard, and confirm that of nations where practical experience has proved its advantages. So it now remains to be seen whether this theory, which is regarded as one of the truisms of economic science, shall prevail, or whether the cupidity of the silver men shall outweigh the general interests of the American nation.

* * *

Canada's interest in American affairs is not superficial. It lies deep because of our commerce with the Republic, which forms over one-third of our entire foreign commerce. And because of it an expression of opinion on this grave question should not be considered as misplaced. So in concluding this essay I would suggest that this is an opportune occasion for an institution like the Canadian Bankers' Association to place on record its opinion as to the scientific and economic merits of gold or silver as a standard singly, or of both concurrently.

And I submit that I am not wrongly gauging the opinion of the Canadian members of our profession in believing that they concur in the axiomatic principle that national and individual prosperity are maintained where, throughout civilization, are maintained the principles of mono-metallism on a gold basis.

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OVER-INSURANCE AND UNDER-CONSUMPTION

IN the last twenty years there has been an enormous development of insurance. The number of policies in force has increased threefold, and the average amount of insurance carried has increased. The subject is brought before our notice every day ; and the virtues and necessity of insuring have been so often preached to our unwilling ears by pertinacious agents, that few have been able to resist the gloomy invitations. In spite of the fact that we have enough ado to carry the burdens we have already assumed, we seem to be increasing them. Many are insured too heavily, and burden the present for the sake of the future. If, personally, we have been strong enough to resist the blandishments of the agents, we know men whose lives are hampered by the heavy premiums they have to pay. They have to deny themselves and their families many of the comforts and luxuries of life they could otherwise procure. They struggle along for ten or twenty years, subject to all the worries of a debtor with a debt he cannot shake off. If they are wise, they scrape and pinch and save, but meet their obligations : if they are foolish, they raise money on notes, and thus add to their already grievous burden. After a few years of pinching and struggling many come to the conclusion that the game is not worth the candle ; so, rather than continue the effort, they sacrifice the whole, or a part, of their past efforts. The large number who suffer their policies to lapse altogether is proof enough of the grievousness of the burden.

We are all in sympathy with the canvasser's appeal on behalf of the young and tender wife and the helpless babes, who may, without warning and without resource, be deprived of their mainstay and support. Every right-minded man is open to such an appeal, and is prepared to make some provision to meet the contingency. He knows that the recurring wants of every-day life are so exacting that he must save by force or

craft, or not at all; and the wily insurance agent persuades him that insurance is just a compulsory saving. The policy is written and the saving begins. If there was a margin, it is swallowed up; if he has been foolishly living up to his income, he must retrench: in either case he soon feels the pinch, but consoles himself by reflecting on the wisdom of the action. Yet it is possible that he may be sacrificing the present comfort of his wife and family to provide against a necessity which may never arise. He himself may prolong his days till wife and children alike are beyond the reach of poverty arising from the death of the breadwinner; and the receipt of a lump sum at his decease can never make up for the early privations. When a man seeks in insurance merely an endowment for old age it becomes a question whether it is wise to pinch now to luxuriate in idleness at sixty—whether in short it would not be wiser to snatch the good of life while it offers, and let the future take its own chances.

The economists of the first three quarters of the century, and the preachers of their "dismal" gospel, are at last beginning to have a belated influence on the actions of the crowd. "Industry," said John Stuart Mill, "is limited by capital," and unless capital increases, industry cannot develop. It is therefore the duty, the economic as well as the moral duty, of every man to save; for capital can only be increased by saving. On the other hand, Dr. Smiles and his fellows have been ready with numberless instances of the rewards of abstinence; and after many years men have begun to hearken to them. Saving is no longer a virtue to be preached. It would be paradoxical to say that it has become a vice to be condemned, but some writers have come perilously near the paradox. From the side of morals, the virtue of saving has been flouted by Herbert Spencer. After showing how the truth is perverted into the strange doctrine that "the same gratification becomes more valuable as it becomes more distant," he goes on to show how this perversion governs the actions of those especially "who are distinguished as prudent and well regulated in their conduct."

"Hurrying over his breakfast that he may catch the train, "snatching a sandwich in the middle of the day, and eating a

"late dinner when he is so worn out that he is incapacitated
 "for evening recreation, the man of business pursues a life in
 "which not only the satisfaction of bodily desires, but also
 "those of higher tastes and feelings are, as far as may be,
 "disregarded that distant ends may be achieved; and yet if
 "you ask what are these distant ends you find (in the cases
 "where there are no parental responsibilities) that they are
 "included under the conception of more comfortable living in
 "time to come. So ingrained is this belief that it is wrong to
 "seek immediate enjoyments, and right to seek remote ones
 "only, that you may hear from a busy man who has been on a
 "pleasure excursion, a kind of apology for his conduct. . . .
 "Nevertheless, if you sound him with respect to his future, you
 "find that his ambition is by-and-bye to retire and devote him-
 "self to the relaxations which he is now somewhat ashamed of
 "taking."*

The economic counterpart to this ethical argument we may find in Mr. Robertson's little book, with the daring title, "The Fallacy of Saving," in which an endeavor is made to show that saving is not an economic advantage to the individual. Herbert Spencer and Mr. Robertson write mainly from the point of view of the individual; but, when the fallacy, which might have been overlooked while few were subject to it, is prevalent throughout a whole community, its practical effects become of economic and social importance. Saving means curtailment of expenditure; and production is governed by consumption. If a man must save he curtails his expenditure on the comforts and luxuries of life. Few men are so completely under the power of the fallacy that they will stint themselves of what are called the necessities of life. They will not eat less food; but they will live in meaner houses and wear poorer clothes, and wear them longer, and generally be content with the elements of physical life. In other words, they curtail the more social side of expenditure, and buy only those objects which cost little labor, comparatively. Labor may not be the cause of value, but the value of the great mass of commodities corresponds with the amount of labor embodied in them. Thus, in order to save, they consume

* Spencer : *Data of Ethics*, p. 112.

commodities which are cheap and give less employment to labor. If a large number of men are like-minded the industrial results may be serious. Because consumption is limited to a few articles, industry will not be able to extend beyond the limits of the production of those articles. Into these channels the whole stream of new capital will be diverted, with the result of over-production and industrial depression. One of the younger economists, Mr. Hobson,* endeavors to trace the whole prolonged industrial depression since 1873 to under-consumption. While it is difficult to accept his conclusions in their entirety, it is certain that one of the great practical questions of the day is the striking of a better balance between the present and the future. We need for the sake of industry to spend more rather than to save more; for, if we save, we curtail the area of production within which our savings must be invested. Saving implies increased consumption in the future, but the world already has as much as it wants of the commodities which will be produced if we save. A general increase of expenditure and less saving would remedy many of the evils of industrial depression.

The bearing of this is that in Canada we are saving too much, and hampering both our present and our future by the process. Saving by means of bank deposits is only one, and the least objectionable, method. Bank deposits can always be withdrawn without loss; but saving in the form of insurance means locking up capital for a number of years. Canada should be one of the last to fall victim to this policy. She is still a borrowing nation; and, while we borrow with one hand, we take money out of circulation with the other. What is the use of paying interest to foreigners when we might as well invest our own money, and invest it in the best of all possible ways for the future of the country, by spending it. If it be said that the money which is thus saved is not hoarded, but invested by the insurance companies in a better and safer way than the individual can invest it, the answer is that a large part of the money is not so invested, and that it would be much better for the future of the country if it were spent over the counter. The

*Hobson's *Evolution of Modern Capitalism*, chap. viii.

effect on industry has been analogous to the effects of a sudden conversion of floating into fixed capital.

Of the total amount saved and invested in insurance we have no complete estimate. We have no means of discovering how much is annually paid in the shape of the levies made by benefit clubs; but the amount must be immense. To the regular insurance companies there has been paid in the form of premiums during the eleven years, 1884-1894, nearly eighty-one millions of dollars in the following proportions:

English companies.....	\$10,469,419
American companies.....	29,606,983
Canadian companies	40,366,311
Total	<u>\$80,442,713</u>

If Canada had paid this sum out of her abundance it would be a matter of small importance; but this seven millions of dollars per annum is not a realized surplus. There is unfortunately no trustworthy estimate either of the wealth or of the income of Canada; but we have one means of calculating how fast her wealth is growing. The increase in the total amount of property insured against fire is accepted by statisticians as a fairly adequate measure of the rate of the increase of the wealth of the country. Between 1884 and 1894 the total amount at risk in Canada increased from \$605,507,789 in 1884 to \$836,067,202 in 1894, or an increase of about 38 per cent. The wealth of Canada in this period may be taken, therefore, to have increased about 40 per cent. In the same period the amount of life insurance in force in Canada has increased from \$135,453,726 to \$308,161,436, or an increase of about 125 per cent. We are thus not saving a surplus, but eating into the fund from which our ordinary life expenditures are met. Taking a longer period, and a different method of comparison, we find that insurance has enormously increased during the last two decades. The average amount of insurance carried per head and per family of the population in the three census years is as follows:

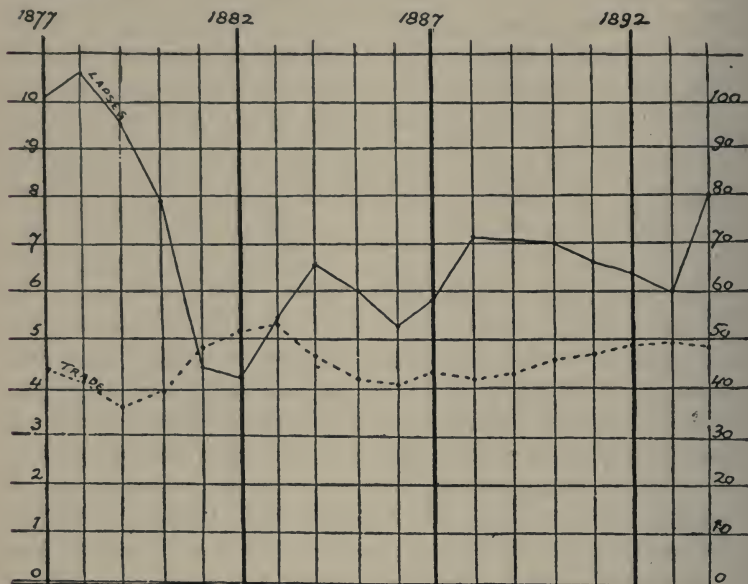
	Amount per head	Amount per family
1871	\$13 12	\$ 73 60
1881	23 88	127 18
1891	54 10	283 70

We are not only investing beyond our means in this way, but we are also testing our endurance to the breaking. The burden so lightly assumed at the instigation of the agent is soon found too heavy, and a large part of the savings is lost totally to the individual, largely also to the community, for it has been expended in keeping up the large class of non-productive agents. Each year a large number of "risks" allow their policies to lapse rather than continue the strain of making the annual payments. How many surrender their policies and receive a surrender value for them is not stated; but, in addition to this number, whatever it is, there are hundreds of cases where, after a year or two, the past savings are actually abandoned. The fact that the lapses are more numerous when times are bad shows that, even in good times, the strain is felt, and that there lacks but the last straw. The following table shows the percentage of lapses to the total number of policies in force in each year, from 1884-1894; the accompanying diagram compares the percentage of lapses with the total amount of trade per head in each year, showing how, as trade falls off, the lapses increase:

Year	% of Lapses	Year	% of Lapses
1884.....	6.6	1890.....	7.0
1885.....	6.0	1891.....	6.0
1886.....	5.4	1892.....	6.4
1887.....	5.9	1893.....	6.1
1888.....	7.2	1894.....	8.0
1889.....	7.1		

In the diagram the register of the percentage of lapses is on the left margin, and the register of the amount of trade (exports and imports) per head, in dollars, is on the right margin. The diagram shows clearly the inverse relation between prosperity thus judged and the percentage of policy-holders abandoning the results of their past sacrifices. In the exceptionally bad year of 1878 the percentage reached the enormous figure of 10.7; and in the subsequent years it varies closely, though inversely, with the amount of trade. When the trade

curve is high, the curve of lapses falls down almost to meet it ; when trade is bad, the divergence between the two is very marked.



It is true that insurance is not a permanent investment. It is not like capital locked up in useless machinery and buildings, which can never come back, but is of the nature of a loan, which must be paid back in full, sooner or later. If we pay out large sums, it may be urged, we must be receiving back large amounts. In the beginning we may be locking up more than is released, but, after a few years, the insurance companies must pay out for death claims and matured endowments almost as much as they take in. This is a question of fact ; and we are certainly receiving back into circulation large sums every year. Of the eighty million dollars we have invested in the eleven years, 1884-'94, we have received back into circulation more than thirty-six millions, or nearly half. These thirty-six millions have not all been reinvested, but have been spent in buying goods, and have thus encouraged industry. Moreover, nearly one-fourth of the eighty millions has never really been withdrawn at all. The

expenses of the companies in securing "risks," and in collecting premiums, are all met immediately, and not after a period of years. Nineteen millions of dollars have been paid out by insurance companies in Canada in these eleven years, in agents' commissions, in office expenses, in management and advertising; and we cannot say that this amount has been withdrawn to the detriment of industry. Even although the great army of agents does not benefit the country so much as an army of artisans and farmers, yet the money they earn they spend, and society is not much the poorer. Moreover, the money paid in premiums is not hoarded but is again invested by the companies, who with their greater knowledge are able to invest to greater purpose than any individual is. The money is lent out again, and performs its work of circulating commodities and stimulating industry. It is surely better, therefore, it may be said, that twenty-five millions, in this period, should have been used for productive purposes instead of being squandered on useless or worse than useless luxuries.

Setting aside altogether the question whether industry would not have been more stimulated by the expenditure of this money at first hand, we must make enquiries whether the money is so invested. Some part of it is, no doubt, lent back to the policy-holders on the security of their policies, and part of it is invested in means and instruments which facilitate and encourage production; but the larger part of it is not. By law, the insurance companies are compelled to deposit securities with the Receiver-General for the protection of the policy-holders. In 1894, the Receiver-General had in his keeping securities worth more than 22 million dollars; and more than four millions more were held by Canadian trustees. Of this amount twenty millions is held on behalf of life insurance policy holders. When we examine the kinds of securities deposited, we find that not more than 10% of these securities are shares in productive enterprises. The remainder consists of government and municipal bonds and stock, which can hardly be classed as directly productive agencies. Considerably more than two-thirds of the net savings of the community in the form of insurance is therefore locked up. The saving hampers the community where we need to be freest; and we have not even the consolation of knowing that our savings

are developing the industry of the country. It is a serious question when the citizens of a young community are so timorous of its future that they hand over their savings to insurance companies to invest in securities which ought to be left to the more timid foreign investor. The savings of a young country ought, if they are made at all, to be invested in industrial undertakings for which foreign capital is not so easily obtainable.

Nor is this the worst. Canada, lying midway between two great nations, is the meeting place of their competition. English and American companies have their agents in her towns and cities; and, in the eleven years which our investigation covers, have written just fifty per cent. of the policies taken out by Canadians. The savings of Canadians, instead of being kept and invested at home, have been carried out and invested abroad; with how much security ask any of the policyholders in an American company, who, last fall, were threatened with payment in depreciated silver. Naturally a large part of the amount paid in premiums is repaid within the year. English and American companies pay claims when they are required just as Canadian companies do; and they leave a large part of the balance in the country to pay the expenses of management, the commissions of agents and the costs of advertising. Even, however, when every deduction has been made, the anomalous result remains that Canada, a nation which borrows money for the development of her resources, has not trust enough in her own future to invest all her own money at home. The balance sheet of Canadian business with foreign insurance companies is as follows:

1884-1894	
Paid to English companies in the form of	
premiums	\$10,469,419
Less expenses at 15%	1,570,411
	\$ 8,899,008
Paid to U.S.A. companies in the form of	
premiums	\$29,606,983
Less expenses at 33%	9,868,994
	\$19,737,989
Total sent out less expenses	\$28,636,997
Total paid back for death claims, matured endowments, etc., surrendered policies	17,178,526
Balance sent out in the period 1884-1884.	<u>\$11,458,471</u>

The percentage of expenses is in both cases the highest average return for the whole business of the companies. The English companies probably spend a little more, and the American companies a great deal less in Canada than the amount set down.

To take more than a million dollars every year and send them abroad while we borrow money to conduct our business and to develop the country is a serious matter ; but to withdraw that amount, and twice as much again, from circulation, to check to that extent the only real stimulus to industry, is much more serious. The effect of this increased saving is to confine our expenditure as a whole to the necessities of life and the cheaper grades of goods, for the production of which less labor comparatively is required. There will be no steady and strong demand for the higher classes of goods, and the attempt to manufacture these within our own borders will, almost surely, not be successful. What we do require of higher grade goods will be imported from abroad, and our manufacturers, sure only of a wide demand for cheaper goods, will be compelled to confine themselves to that class of production.

JOHN DAVIDSON

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TRANSMISSION OF BANK STOCK IN THE PROVINCE OF QUEBEC

IN the province of Quebec, should anyone die intestate, his heirs may take possession of the estate, and administer it, without any process of law whatever or authority from any Court or Judge.

Should bank stock form part of the assets of the estate, the only legal proof the bank can require in order to be satisfied as to the owners of the stock, is the sworn declaration of the heirs claiming it, under Section 39 of the Bank Act. It is true that the bank may require corroborative evidence of any fact alleged in the declaration, but still the onus of deciding in whose name the stock of the deceased is to be placed is thrown on the bank.

There is no process of law known in the province of Quebec that corresponds to the issue of letters of administration of an estate, and no legal procedure provided for it, or officer of the Court charged with such a function.

The Civil Code of the province of Quebec says:—"The lawful heirs when they inherit are seized *by the law alone (i.e., by the mere fact that they are heirs, not by an authorization or judgment of a court)* of the property rights and actions of the deceased, subject to the obligation of discharging all the liabilities of the succession; but the surviving consort and the Crown require to be judicially put in possession."

The latter only inherit if there are no relatives within twelve degrees, so that very distant relatives could claim the estate before the surviving consort or the Crown.

The only obligation on the part of the heirs is to pay off the debts of the estate. They may dispose of the property before paying off a single debt.

It is the same if there is a will and executors appointed in it. The executors need no authority from a Court to administer the estate, and the provisions of the Civil Code as to their

duties and obligations are very meagre indeed. When bank stock forms part of the assets the obligation is thrown on the bank of seeing that the executors have power to transfer.

There is no obligation on the part of the heirs to give security for the payment of the debts of the estate, nor to make an inventory of the property unless the estate is accepted "under benefit of inventory," that is, when they can accept or refuse the estate after they see what, if anything, it is worth.

Another piece of legislation which seriously affects banks by hampering and delaying the transmission of stock is the obligation, under the Successions Duties Act, of seeing that the tax is paid before allowing the transfer.

It is enacted that "All transmissions, owing to death, of the property in, usufruct or enjoyment of, movable and immovable property in the province, shall be liable to the following taxes, calculated upon the value of the property transmitted, after deducting debts and charges existing at the time of death."

Also that "No transfer of the properties of any estate or succession shall be valid, nor shall any title vest in any person if the taxes payable under this section have not been paid" (55-6 Vic. c. 17, and amendments). It will be seen from the above stringent provision of the law that if the taxes are not paid the transfer, of stock for example, would not be valid. The bank allowing the transfer would run the risk of having, perhaps, to replace the stock at some future time. No matter how many transfers may have taken place, the stock legally remains as part of the estate of a deceased shareholder until the taxes are paid—for the Act says that all such transfers are null and void. The injustice here is in making the bank responsible, as the Act practically does.

A short time ago a friendly test case was instituted in Montreal with the idea of finding out whether a bank was justified in allowing a transfer of stock standing in the name of a deceased shareholder before the succession duties were paid. In this case the executors of the late Sir John Abbott took an action against the Bank of Montreal to compel the transfer of stock before the succession duties had been paid. The bank refused to allow the transfer, alleging that under the act such transfer would be null and void. The judgment, both of the

Superior Court and Court of Appeals, was in favor of the bank, and was to the effect that the bank was justified in refusing to allow the transfer until the tax was paid. In other words, a bank, for its own protection, is obliged to see that the tax is paid before allowing a transfer, for if it does allow the transfer, it would be null and void.

There is a delay of three months or longer within which to transmit to the Collector of Provincial Revenue the necessary affidavits, statements, etc., on which to calculate the amount of tax to be paid, and it is sometimes, when the estate is a large one, nearly a year before the duties are finally discharged. As bank stock is often the most convertible part of the assets of an estate, executors often wish to sell it at once to pay off the debts, etc.

In any case it is unreasonable to compel the banks to see that their shareholders comply with the law, and a clause to this effect should be added to the act: "Nothing in the above shall be held to compel incorporated companies to see that the duties are paid before allowing a transfer of their stock."

F. HAGUE

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee :

Accounts in the Names of Minors

QUESTION 52.—(1) What is the Ontario law relating to money deposited by minors?

(2) Which would you advise—the opening of a savings bank account in the name of a minor, or in the name of a parent or guardian in trust for the minor?

ANSWER.—(1) There is no general law in Ontario respecting money deposited by minors, but under the terms of sec. 84 of the Bank Act, banks may receive deposits from minors, and repay them to the minors at any time. (See the section referred to, and note the limitation where a minor could not, except for the section, make deposits.)

(2) Notwithstanding the authority given by the Act, we would think it prudent to take a deposit in the name of a parent or guardian in trust for a minor, rather than directly in the name of the minor. This, however, would apply only in cases where the minor is quite young.

Refusal to Pay Money to Depositor under Influence of Liquor

QUESTION 53.—Can a depositor under the influence of liquor legally draw his money out of his savings bank account?

Has such a depositor any ground for action against the bank for refusing to give the money?

ANSWER.—This is a very difficult question to answer. If a depositor were so much under the influence of liquor as to be quite incapable of understanding what he was doing, the bank would probably not be discharged by his signature to a receipt for money paid to him in that condition. If, however, he was but slightly under the influence, and quite sensible of what he was doing, the bank could not refuse.

Whether the depositor would have a ground of action against the bank for refusing to give the money would depend entirely on the above points. If the bank was justified in refusing because of his unfitness to transact business, he would have no claim. If, however, they made the mistake of refusing when, notwithstanding his being under the influence of liquor, he was quite capable of transacting business, the bank would probably be liable for damages.

Deposit Receipts—Negotiability

QUESTION 54.—Are deposit receipts transferable by endorsement?

ANSWER.—The usual form of deposit receipt is, we think, a receipt for money and an undertaking to "account" for it, and not an unqualified promise to pay it. A document reading: "Received of——— £——— to account for on demand" has been held not to be a promissory note; and other cases where the agreement was to "account" for money have been decided in the same way. We think therefore that a deposit receipt in the customary terms would not be transferable by endorsement in the same way as a note would be transferable.

Irregular Endorsements

QUESTION 55.—A certified cheque on a bank in California, payable to Stephen Jones and Mrs. Wm. Smith, and endorsed S. Jones and Sarah Smith, is paid by a Canadian bank. It goes forward endorsed by the bank in the regular way, and when presented by the Bank of B. to the drawee bank (the Bank of C.), is refused because endorsation is claimed to be irregular.

The cheque is protested by the Bank of B. The Canadian manager cannot have foreseen that it would be protested, as, according to our custom, if refused it would have been returned for guarantee of endorsement.

The drawer of the cheque (the customer of the Bank of C.) made all the trouble, by putting "Mrs. Wm." instead of "Mrs. Sarah." Who should pay the costs in this case?

Do you not think it would be advisable to request Canadian bankers to use the Christian name of married women when selling drafts, etc.?

ANSWER.—The practice of Canadian banks, or the natural expectation of the Canadian banker in the particular case referred to, do not seem to us to have any bearing on the question involved, nor does the mistake of the drawer of the cheque, in putting "Mrs. Wm. Smith," instead of "Mrs. Sarah Smith," seem to us to affect the question.

The parties receiving the cheque could have prevented any trouble by returning it and requesting that a cheque in the proper names be issued, or by procuring Mrs. Smith's signature in the form required by the cheque, and we believe customary in such cases, *i.e.*,

"Mrs. William Smith
Sarah Smith."

The question then simply is, was the cheque properly protested by the collecting agent, and if so, who should bear the costs incurred?

We are of the opinion that the bank was justified in protesting the cheque, and that the costs are chargeable against the parties for whom the Canadian bank cashed it. On the return of the cheque protested for non-payment the bank would be entitled to collect from them the amount of the cheque and all charges.

The practice of making cheques or drafts payable to married women in the form used in the above case is open to serious objection, and should, we think, be discouraged.

Marked Cheques—Manager's Initials not Equivalent to an Acceptance

QUESTION 56.—Is the presence of the manager's initials on a cheque a sufficient guarantee of its being marked good or accepted?

ANSWER.—If the question has reference to the common practice of the manager putting his initials on the margin of the cheque as authority to the ledger-keeper to mark it, we would not regard that as constituting an acceptance on the part of the bank.

Promissory Note containing Pledge of Security, etc.

QUESTION 57.—Would an instrument drawn in the form following be judged a valid promissory note in Canada, or would the pledge of collateral security included in the note bring it

under decision rendered in *Kirkwood v. Smith et al.* cited in your January number? Also please state, if it is not a negotiable promissory note, whether a note drawn in this form would be perfectly binding as a contract between the bank and the promissors:

after date I promise to pay to the order of _____ at
the _____ Bank, _____, for value received,
with interest at the rate of _____ per cent. per annum.
Having deposited with the _____ Bank, as collateral security for the
payment of this note and any other indebtedness due, or to become due,
from _____ to said Bank or its assigns, I
hereby authorize the sale of said security at public or private sale or other-
wise, and with or without notice, on the non-performance of this promise
[and said bank may become the purchaser thereof], and it is hereby agreed
that if said security, in the opinion of said Bank or of any of its officers,
shall depreciate in value, said _____ Bank or any of its officers or
assigns, may elect, without notice, that this obligation is due and payable on
demand.

[It is further agreed that said Bank shall have the right to hold and
apply, at any time, its own indebtedness or liability to the maker hereof, as
security for the payment of any liability due, or to become due, from the
maker hereof.]

ANSWER.—We think the form of note which you send would be held not a promissory note, under the decision in *Kirkwood v. Smith*. It is, however, a contract which would be binding between the bank and the parties.

The points in it which, in our opinion, bring it within the judgment referred to, are the inclusion of the provision that the bank may become the purchasers of the property, and of the agreement as to set off, etc. Both of these are clearly additions to what sec. 82 of the Act permits.

The provision as to the note becoming payable on demand under certain conditions, is also probably an addition not admissible in a promissory note, although this point may be open to question. There is no objection to including in a note any means for determining its date of maturity which complies with the Act, but we doubt whether the action of the payee, which is to be based on an opinion as to the depreciation in the value of the security, would be within the limits of what the law permits.

We might add that if the contract as to security were made separate from the promissory note—for instance, if the promise to pay were followed by the party's signature, and the contract which you have in your present form printed below the note and signed separately, so that you had two complete documents on the one page—you would probably accomplish all that you desire, and at the same time have a note which would be a negotiable instrument.

Assignments of Book Debts

QUESTION 58.—Would an assignment of book accounts which may be created during the year, be an effectual security, or is it necessary that the accounts should first be actually in existence and specifically assigned?

ANSWER.—If the assignment is properly drawn so as to cover future accounts, it will pass them as they arise. It would perhaps be well that the assignment should state the names of the prospective debtors.

Notice of Dishonor

QUESTION 59.—Is it necessary, if a draft be drawn by A on B to the order of bank C, that notice of dishonor be given to the drawer to render him liable?

ANSWER.—Such a notice is necessary; see sec. 48 Bills of Exchange Act. Please note that protest is not necessary, except in the Province of Quebec, or for foreign bills. What the Act requires is notice of dishonor, which might be given either by a notary or by the holder or anyone on his behalf.

Cheque on an American Bank "payable in New York Exchange"

QUESTION 60.—The A Co. and the B Co., the first having head-quarters in Canada, the latter in the United States, are really one and the same corporation, with the same shareholders, officers and directors, acting on each side of the boundary line under different charters. The A Co. keep an account with us.

On 30 Jan., '97, the A Co. deposited with us a cheque for \$2,500 drawn on an American bank in G — by the B Co., which cheque was made "payable in New York exchange." We mailed this on same day to our agents in G —, but as there was no mail out until Monday, 1st February, it did not reach them until 3rd. The cheque was presented and a New York draft of the American bank given in payment. The draft was immediately forwarded to New York, but before payment could be obtained the American bank suspended. The draft was then returned to our agents, forwarded by them to us, and charged by us to the A Co.'s account. The company's manager objected to this course, claiming that the American bank had paid the cheque, and that therefore the Co. were no longer liable to us. What are our rights?

ANSWER.—We find it difficult to answer this question definitely, since the item to which the enquiry relates, which is drawn in, and payable in the United States, is by its terms

made payable in New York exchange. We do not know what the precise effect of this condition is, but we should take it to mean that the document is not, properly speaking, a cheque at all, as it is not an order for the payment of money, but an order for the delivery to the party named of a draft on New York. Under our law the item would therefore probably not come within the Bills of Exchange Act. If it were payable "with exchange on New York," that would imply payment in money with a certain allowance for the difference in the exchange between the point where it is payable and New York, and such a cheque is specially brought within the Bills of Exchange Act by sec. 9 (*d.*)

Assuming that what we have said as to the nature of the document is correct, we should suppose that you have no remedy against anybody except the failed bank.

It seems to us quite clear that recovery cannot be had from the customer. You gave him value for an order on an American bank, which order the latter bank literally complied with; that is, they delivered to your agent a draft on New York, which the latter accepted, apparently without any reservation, in satisfaction of the order or cheque.

The only party against whom you could have any claim whatever would seem to be your agents at G —, and from the information furnished in the question we think that you would have no claim on them, for the course of your business with them, as suggested in the enquiry, indicates that they were authorized—by implication if not expressly—to take payment of such items in drafts of the drawee bank on their New York bankers. If so, they performed their duty as agents fully, and are under no responsibility. If, however, in accepting the draft of the American bank, which was dishonored, they did something that you did not authorize them to do, they might be responsible. The terms in which the cheque is made payable would, however, seem to us to be against this.

The question is not affected in any way by the fact that the drawers of the cheque and the customers from whom you received it, are corporations owned by identically the same shareholders. This does not make them any the less distinct corporate bodies in the eyes of the law.

Your rights against the failed bank and the drawer of the cheque would be governed by the laws of the State in which the failed bank was domiciled and they might give you a better claim than would exist here. On that point we cannot advise.

Acceptances Payable at a Bank

QUESTION 61.—Can a bank legally charge at maturity to the account of a depositor having funds, an acceptance, drawn on him and accepted and made payable at the bank, without a cheque or special authorization to do so ?

Could the depositor hold the bank responsible for any costs or damages arising from the bank omitting or refusing to charge the acceptance to his account without a cheque or authorization, and is the draft accepted, as aforesaid, his order on the bank the same as his cheque ?

ANSWER.—(1) In Ontario and other provinces which are under the same law, a bank may charge such an acceptance to the customer's account. In Quebec it has been usually held that, without special authority, a bank is not entitled to charge such an acceptance to the customer ; but if it is a holder of the same at maturity, as its own property, the right of compensation or set off entitles it to charge it against the customer's funds. We are not aware that the right of a bank to charge at maturity a note of which it is not the holder, has ever been settled in any case that has come up in the province of Quebec, but we should think it possible that it would form a sufficient answer to any customer contesting the charging of a note to his account, that the bank had on the day of its maturity paid value for it, and thereby become a holder with right of set off or compensation. In practice, however, it would not be wise to take this risk.

(2) Whether or not a bank could be held responsible for damages for refusing to pay a customer's acceptance would depend on the contract between the bank and the customer, which might either be express, or implied from a practice with regard to the customer's account of paying such acceptances. If such a contract existed, the bank would be liable, but not otherwise.

Cheque Torn Across and Pasted Together

QUESTION 62.—Would a bank be justified in refusing payment of a cheque which had been torn across and pasted together ?

ANSWER.—Yes. Unless perfectly satisfied as to its *bona fides* because of the channel through which it comes, it should only pay the cheque after confirmation by the drawer. The openings for fraud which any other policy would afford are too obvious to need discussion.

Keys and Combinations Lodged with Another Bank

QUESTION 63.—The manager and accountant of a bank hand to another bank in the same city a sealed package represented to contain duplicate keys and combinations of all the locks in the office, with the request that they be held in safe-keeping, and delivered only on the joint order of officials acting as manager and accountant respectively, who may be in charge at any time. In case of the absence or incapacity of manager or accountant or both, would the custodian be justified in delivering the package to other officials who might for the purpose claim to be acting? If so, would not either of the applicants be greatly assisted in obtaining fraudulent possession of keys or combinations?

ANSWER—We think that the bank holding the package would only be justified in delivering the same strictly within the terms of the conditions on which it was lodged—that is “on the joint order of the officers acting as manager and accountant who may be in charge at any time.” As to who should be considered to be acting in these capacities is a question of fact depending altogether on the circumstances of the particular case, and it would be impossible to express an opinion without knowing all the circumstances. If the officials claiming a package are, as a matter of fact, acting as manager and accountant, and in charge at the time, they are entitled to the parcel; if not, they are not entitled to it.

Changes of Bank Officials

QUESTION 64.—Is it customary with Canadian banks, in case of a change of manager or accountant of an office, for the retiring manager or other constituted authority to inform the other banks in the same city?

ANSWER.—Notice of a change of the manager or accountant of a branch is not usually given by Canadian banks, except to their own branches, agents and correspondents.

Acceptance of Bills Drawn “on Demand”

QUESTION 65.—(1) Is a bank justified in marking an acceptance drawn “on demand” and accepted payable at the bank and dated a certain day—if same is presented two or three days after the date of its acceptance?

(2) Is a demand draft of the nature of a cheque after it is accepted, or does it become past due if not presented where it is payable, on the day the acceptance is dated?

ANSWER.—(1) We think a bank is justified in paying on behalf of a customer a demand bill which he has accepted payable at the bank, if presented two or three days after the date of his acceptance.

(2) We do not think a demand draft is of the nature of a cheque after its acceptance. Sec. 45 of the Bills of Exchange Act indicates that if not presented within "a reasonable time" it must be regarded as an overdue bill. We do not think that this would necessarily involve that the bank should refuse to pay it if presented after a reasonable time had elapsed, but it would be more prudent to ask instructions from its customer before doing so.

The same question might arise in the case of an overdue acceptance not payable on demand. The fact that it is overdue does not lessen the liability of the acceptor to pay, and we should suppose that the bank to which it was presented would be entitled to pay and charge the item to his account, but it would be the more prudent course to refer such bills to the acceptor first, as he might have some defence or offset available against an overdue bill.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

THE decision of the Supreme Court of Canada in *Niagara Fruit Growers' Stock Co. v. Walker* is not only of importance in connection with questions of suretyship such as that which was the cause of this litigation, but contains some references by the judges to the general rights of sureties and creditors, which make it of interest to bankers.

While it has been held that the creditor may nullify his security if he should mislead the proposed surety in order to induce him to enter into the contract, the Court in this case quotes with approval the remarks of the Lord Chancellor of England declaring that the creditor is not under obligation to inform the surety of any matters in connection with the credit of the debtor, or with the particular transaction, which would render the surety's position a hazardous one; also the remarks of Lord Campbell in a previous case respecting the burden which would be laid upon bankers under any other rule.

In view of the recent decisions as to the borrowing powers given by law to corporations, we have thought it well to publish a brief report of the case *La Banque du Peuple v. Town of Iberville*. It has but an indirect bearing on those cases in which banks are most interested—that is, obligations incurred by officers of companies who under the Joint Stock Companies' Acts of the Dominion or the provinces, can only borrow money with the assent of their shareholders, given in a particular manner, but the decision nevertheless has an important bearing on transactions which are of frequent occurrence.

At page 211 of vol. III of the JOURNAL we reported the judgment of the Queen's Bench Division in *Molsons Bank v. Cooper*. This judgment was subsequently reversed by the Court of Appeal, but has now been restored by the Supreme Court, and the legal principle affirmed, that while a creditor holding security cannot be forced to realize a portion of it and apply the same on his debt, yet when part of it is turned into money in his hands he is bound to appropriate this money, first to the payment of interest, if any, and then towards the liquidation of so much of the principal debt as may be due. The Court, however, distinguishes the rights of a creditor holding secondary or subordinate security, which is to be resorted to after the primary securities are exhausted.

In the present instance the security being in the form of collateral notes falling due from time to time, the creditors could not do otherwise than accept payment of them, and indeed were declared by the Court bound to use due diligence in enforcing their payment.

The principle involved in *Sims v. Trollope* [Court of Appeal, England] may be of very great importance. We could not pretend to say how far the decision would affect securities taken on this side, but it suggests the necessity for extreme care in complying with every requirement in the matter of the forms called for in securities taken under statutory authority. Banks all over Canada take security under sec. 74 of the Bank Act, and in most of the provinces chattel mortgages on personal property as well, in connection with all of which the statutes call for compliance with certain forms. The Interpretation Acts of the Dominion and of Ontario relax in some degree the rigour of the law, and in the special statutes there is usually some leeway provided by the use of such words as "or to the like effect," but this would not authorize a variation in substance; an addition or omission which would alter the substance of the form would be equally fatal.

We find that the question of the rights of a holder of a bill to the benefit of security given by the principal debtor to an accommodation endorser or surety, which was adjudicated in the English case of *Sheffield Banking Co. v. Clayton*, and upon which an interesting discussion took place at the last annual meeting of the Canadian Bankers' Association, was touched on in *Smith v. Fralick*, which came before the Canadian courts in 1856, in such a manner as to foreshadow a judgment in agreement with that delivered in the *Sheffield Banking Co.'s* case, should the precise point ever have come up for decision here.

Although in *Smith v. Fralick* the court was not called on and did not definitely pronounce upon the abstract question of a creditor's right to the benefit of security in the hands of a surety for the debt due to that particular creditor, the form in which that judgment is framed and the citations it covers, indicate much more clearly than do the deliverances of the court in *Sheffield Banking Co. v. Clayton*, the reasons for the law established in the latter case, and which appeared to many bankers inequitable.

The original bill in the cause stated that Fralick had become liable on several bills and notes which he had endorsed for the accommodation of the defendants, the Lingham, and being requested to continue his endorsements it was agreed between them that certain property should be conveyed by the Lingham to Fralick upon trust for securing any sum not exceeding £10,000, in which the Lingham should be at any time indebted to Fralick by reason of his endorsements, or by any other means whatever. The plaintiff, Smith, became the holder of two bills made by the Lingham and endorsed by Fralick. The Lingham made default in payment, and the plaintiff sought to have the trusts of the conveyance by the Lingham to Fralick carried into execution for his benefit, and to have a sufficient sum raised by sale of the trust estate to reimburse him, or to have it declared that he was entitled to a lien upon the trust estate.

The bill was subsequently amended by making one Browne a party. Browne had recovered judgment against Fralick and the Lingham in respect of a note of the latter on which he had been an accommodation endorser with Fralick, and in satisfac-

tion of this judgment Fralick had conveyed a portion of the trust property to Browne. It was sought to have this conveyance set aside as fraudulent, and to have Browne ordered to reconvey.

It will be noted that in this case decision was asked merely upon the somewhat extravagant claim of the plaintiff to have the debt to him paid out of the trust estate, without any regard to Fralick's rights thereto, and to have the estate applied in payment of a single bill holder to the exclusion of all the rest. In discussing the cases which had been cited in support of the plaintiff's cause, however, the court clearly questioned whether there was any authority to support the proposition that the creditor is entitled to the benefit of security given by the principal debtor to the surety, as will be seen by the following extracts from the judgments :

THE CHANCELLOR.— . . . On the argument, the case was rested principally upon the dictum of Sir Wm. Grant, in *Wright v. Morley*, "*that as the creditor is entitled to the benefit of all the securities the principal debtor has given to his surety, the surety has just as good an equity to the benefit of all the securities the principal gives to the creditor.*"

. . . Before adverting to the authorities which stand opposed to the doctrine attempted to be deduced from *Wright v. Morley*, I may observe that nothing that fell from Sir Wm. Grant in that case can be considered as an authority in favor of the plaintiff here ; for when the precise question arose shortly afterwards in *Hassall v. Smithers*, there was an obvious hesitation to apply the doctrine to a case circumstanced like the present. The argument against the equity of the bill-holder in that case was, that if the fund could be considered subject to a trust in the hands of the intestate (the surety), great inconvenience and difficulty would arise. It was asked, suppose the bills on account of which the fund was remitted to be dispersed in fifty hands, and due at different times, for whom would the trust be, which could only arise upon relieving the surety from his acceptances to the extent of the fund.

. . . It has been doubted whether Lord Eldon's decision in *Ex parte Waring* does not go too far in favor of the bill-holder ; but so far as it determined that the bill-holder had not any direct equity against the surety, but only an indirect equity growing out of the bankruptcy or insolvency of the principal and surety, the case has never been questioned, so far as I have been able to discover. . . . When the case of *Powles v. Hargreaves* came before the Court of Appeal, Lord Cranworth, in

delivering judgment, said: "The question (in *Ex parte Waring*) seems to have been argued very fully and at great length, and Lord Eldon held that there was such a right; not he said, 'in the nature of a direct demand,' by virtue of any distinct and independent equity existing in the bill-holders to claim a lien on that which had been deposited by the principal debtor with the surety; if that were so, they would have had a right at all times upon the bills so deposited, and to have said nobody shall deal with these bills except as we choose to permit, a *proposition utterly untenable*."

But it is unnecessary to decide the abstract question.

SPRAGGE, V. C.:—I agree that it is quite impossible that the plaintiff can succeed upon the present frame of his suit. Whether he has any equity against the defendants at all is, I think, very questionable.

Where a creditor, a bill-holder or other creditor, has been allowed to avail himself of securities held by a surety, it has only been where the estate, both of the surety and the debtor, were to be administered in bankruptcy, or in the Court of Equity, and where, in adjusting the equities between those estates, it becomes necessary that the creditor should have the benefit of securities held by the surety.

My impression is that there is no branch of equity that would give a creditor a right to the securities held by a surety for his protection against the liability incurred by him for the debtor. It is not well perhaps to say more, as the plaintiff may be advised to amend his bill, and bring the point formally before the court for its decision.

COURT OF APPEAL, ENGLAND

Sims v. Trollope & Sons*

Where in the attestation clause of a bill of sale the name and address of the attesting witness are given, but no description, the bill is void under the Bills of Sale Act, as not made in accordance with the form in the schedule of the Act, even though the attesting witness may have had no occupation or calling when he attested the execution of the bill.

Appeal by the plaintiff from the judgment of Grantham, J., at the trial of an interpleader issue without a jury. The plaintiff was the holder of a bill of sale and the defendants were execution creditors of the grantor of the bill. In the attestation

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clause of the bill the name and address of the attesting witness were correctly filled in, but his description was omitted. The question raised by the issue was whether by reason of this omission, the bill of sale being one made or given by way of security for the payment of money by the grantor, was or was not void under sec. 9 of the Bills of Sale Act, 1878, amendment 1882,† as not being made in accordance with the form in the schedule of the Act. There was evidence that the attesting witness had no provision or occupation at the time when he attested the execution of the bill, and that he was maintained by his father.

LORD ESHER, M. R.:—I am very loth to come to the conclusion to which I am bound to come, that a perfectly *bona fide* transaction like this must be held to be void, but the objection raised in this case must prevail. In the first place the form is given in the schedule to the Bills of Sale Act, and then in sec. 9 it is enacted that “a bill of sale made or given by way of security for the payment of money by the grantor thereof, shall be void unless made in accordance with the form in the schedule to this Act annexed.” I will not venture to say what I might have held in this case were it not for the decision of the Court of Appeal in *Parsons v. Brand* and *Coulson v. Dickson*, which shows how strictly the words “made in accordance with the form in the schedule” are to be construed, for I am bound by the decision of this Court in that case. The bill of sale here must therefore be examined subject to the interpretation put upon sec. 9 by that case. The form provides that besides the name and address of the attesting witness, the description must be given. In the earlier Act of 1854 the words were “description of occupation,” but “description” alone has been substituted for them in the Act of 1882, and the canon of construction is that in such a case, unless anything points clearly to the contrary, the omission of the words “of occupation” was intentional. It follows that it would be impossible now to hold that “description” is synonymous with “description of occupation.” “Des-

†This section reads:—“A bill of sale made or given by way of security for the payment of money by the grantor thereof shall be void unless made in accordance with the form in the schedule to this Act annexed.” At the end of the attestation clause to the “form of bill of sale” in the schedule are the words: “[Add witness' name, address and description.]”

cription" has a wider meaning; it does not mean occupation and nothing else. It includes occupation, because if a man has an occupation and is described as having that occupation, it is usually a sufficient description of him. But if, as in this case, the description is omitted because the witness has no occupation, I do not see how the decision of Bacon, V.C., in *Young, Ex-parte, Symonds in re*, can be relied on. In that case it was "description of occupation" required by the earlier Act, which was omitted. The later Act says "description" simply. If that word meant occupation and nothing else, and the witness had no occupation, I should agree with Bacon, V.C., that the Act does not require the description to be given of something which does not exist. But, as I say, "description" cannot have that meaning; it includes something else—I do not think we are called on to say exactly what—but it may well include what is known as a man's "addition" in the legal sense. Can it then be said that the witness in this case had no addition? Everyone has an addition. He had, and he omitted to give it. But besides this there are the cases of *Parsons v. Brand* and *Coulson v. Dickson*, which decide that the omission of the witness' description makes the bill void. We are therefore bound by the decision of this Court upon the point, and this appeal must be dismissed.

Lopes and Rigby, L.JJ., concurred.

SUPREME COURT OF CANADA

Cooper & Smith and John C. Smith (Defendants) Appellants,
and the Molsons Bank (Plaintiffs) Respondents*

If a merchant obtains from a bank a line of credit on terms of depositing his customers' notes as collateral security, the bank is not obliged, so long as the paper so deposited remains uncollected, to give any credit in respect of it, but when any portion of the collaterals is paid it operates at once as payment of the merchant's debt and must be credited to him.

Under the Judicature Act, estoppel by *res judicata* cannot be relied on as a defence to an action unless specially pleaded.

The facts of the case are fully stated in the following judgment delivered by Sir Hy. Strong, C.J.:

The appellants, Cooper & Smith, in June, 1891, carried on business in partnership at Toronto. The respondents are

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a bank having a branch or agency office at the same place. The appellants having applied to the respondents for a line of credit, the respondents' manager, Mr. Pipon, on the 13th June, 1891, wrote and addressed to the appellants a letter in the terms following :

I am pleased to inform you that our board have granted you a line of credit to \$150,000 to be secured by collections deposited, rate 6 per cent., one quarter commission on all checks and collections outside of this city, as agreed upon with your Mr. Mason.

Yours truly,
C. A. PIPON,
Manager

The meaning of the above is not that the advance shall be fully covered by collections, but as near as you can.

In the interval between the date of this letter and the 24th of August, 1893, when the appellants stopped payment, the respondents made large cash advances to the appellants. These advances were made in the way of discount by the respondents of the appellants' promissory notes. The appellants, in conformity with the terms of the letter of the respondents' manager of the 13th of June, 1891, handed to the respondents from time to time large numbers of their customers' notes, as collateral security for the advances so made. A list of these collateral notes was kept in a book to which the appellants' book-keeper affixed the following memorandum : " The notes enumerated in this book are deposited with the Molsons Bank as collateral security for advances made by the bank in discounts and overdrafts."

The collateral notes so deposited, as they matured, were from time to time withdrawn by the appellants for collection, other similar notes, all being paper received by the appellants from their customers, being substituted for those so withdrawn.

In August, 1893, the appellants stopped payment. At the time of their failure the respondents held ten promissory notes of the appellants', maturing at various dates between the 4th of September and the 14th December, 1893, for the aggregate amount of \$145,000. All of these notes had been discounted by the respondents, and the appellants had received the proceeds. The appellants were also indebted to the respondents in the sum of \$1,907, being the balance of their overdrawn account.

The respondents, at the date of the appellants' failure, held as collateral securities, under the agreement of June, 1891, customers' notes which the appellants had deposited with them to the amount of about \$105,000. Of course no withdrawal of these collateral notes was permitted by the respondents after the suspension. From that date these notes were collected by the respondents directly, and the question involved in this

appeal is, what application the respondents were bound to make of the moneys so received. As the principal notes fell due the bank sued the appellants upon them and recovered judgments, and before the end of September, 1893, they had recovered five several judgments upon five of the appellants' notes, for sums aggregating \$83,000. In the first of these actions, in which judgment was recovered on the 14th of September, 1893, the respondents sued upon a note for \$30,000, due on the 4th of that month, and in that action gave the appellants credit for \$6,921.32, the amount which had up to that time been collected on the collateral notes. In the subsequent actions, however, the bank did not credit the moneys which they had in the meantime collected on the collaterals, and they issued executions for the full amount of all their judgments. The proceeds of the collaterals the bank retained as a reserve fund, carrying it to the credit of the appellants in what they called a "suspense account."

Under the respondents' executions, and the executions of other creditors of the appellants, the sheriff seized a large quantity of goods and chattels the property of the appellants, and having sold the same held the proceeds for distribution under the Creditors' Relief Act, the amount realized not being sufficient to pay off all the execution creditors in full.

On the 4th of October, 1893, the appellants made, not a general but a specific assignment for the benefit of their creditors of certain book debts and other credits and property not comprising such as had been seized by the sheriff.

On the 27th November, 1893, the respondents commenced an action against the appellants upon another promissory note (the sixth) which had fallen due on the 22nd of September, 1893, for \$5,000, and also for \$1,907, the amount of the over-drawn account.

In the beginning of November, 1893, the appellants raised the contention that they were entitled to have credit, upon the executions in the sheriff's hands, for money up to that time collected by the bank on the collateral notes, amounting, as it was alleged, to about \$17,000, and an application was made, to compel the respondents to give such credit, to the master in chambers, who refused the application, which refusal having been upheld on appeal to Mr. Justice MacMahon, in chambers, the appellants further appealed to the Divisional Court of Queen's Bench. Upon this last mentioned appeal the Divisional Court, on the 29th December, 1893, made an order discharging the order of the master and that of Mr. Justice MacMahon confirming it, and directing an issue to be tried upon the question :

Whether before or since the recovery of the judgments above mentioned,

the said bank have received any payments which ought to be applied in satisfaction, in whole or in part, of such judgments or any of them, and if so when such payments (if any) ought to be so applied, and to what extent.

This issue, together with one which had been previously directed by an order of Judge McDougall, the County Court Judge, to the same effect, was tried before Mr. Justice Rose, on the 13th April, 1894, who, having reserved the case for consideration, subsequently, and on the 20th April, found that the respondents had not received any payment which they were bound to apply as contended, and subsequently an order was made, dated the 23rd of May, 1894, declaring that the respondents, up to the 20th April, 1894, had not received any payments which, either at the time of the receipt thereof ought to have been, or at the date of the said order ought to be, applied in satisfaction in whole or in part of the judgments or any of them.

The present action was commenced on the 2nd of June, 1894. It was brought to recover the last four of the ten notes aggregating \$50,000, which all fell due in December, 1893, and the defence set up was payment or satisfaction in whole or in part by the moneys received by the respondents on the collateral notes. The appellants also, by way of counter claim, prayed for an account of what the bank had collected on the collateral notes and for a declaration that the appellants were entitled to credit on the notes discounted for all sums received by the respondents on the collateral notes, and were entitled to thereafter receive credit on the appellants' notes sued upon, for all moneys the respondents might thereafter collect on the collateral notes or any of them.

The respondents joined issue on the statement of defence and did not reply specially either to the defence or counter claim. At the trial of the action on the 18th of April, 1895, it was admitted that the bank had up to that date received upon the collaterals over and above the sum of \$6,921.32, which was credited in the action on the first note, the sum of \$82,135, none of which had as yet been applied in any way to reduce the debt due by the appellants. Mr. Justice Rose, who tried the action (without a jury), gave judgment for the respondents for the full amount of the notes sued upon, holding that the respondents were not obliged to credit the money in their hands against the notes in question, but were entitled to retain the fund so realized as a reserved fund, carrying the amount to the credit of a "suspense account," thus following his previous decision on the trial of the issue, which the learned judge considered *res judicata* of the question involved. The appellants appealed from that judgment to the Divisional Court, which court set aside the judgment and dismissed the action, for the reasons stated in a judgment delivered by Mr. Justice Street, in

which it was held that the respondents were bound to apply the money in reduction of the appellants' debt to the respondents, and that no such application having been previously made it ought to be applied *pro tanto* in payment of the notes sued upon.

I have taken the foregoing statement of the facts, which are in no way disputed, from the judgments of Mr. Justice Maclellan and Mr. Justice Street.

The respondents then appealed to the Court of Appeal, and that court allowed the appeal and restored the judgment of Rose, J. The present appeal is from this order.

From this judgment of the Court of Appeal Mr. Justice Maclellan dissented.

The learned Chief Justice and Mr. Justice Burton held that the bank were not bound to apply the money received from the collateral notes, but were entitled to hold that money as a reserve fund carried to the credit of a suspense account.

Mr. Justice Osler proceeded entirely upon the ground of estoppel, holding that the judgment on the trial of the issues operated as *res judicata* of the question involved in the present action.

Mr. Justice Maclellan was of opinion that the respondents had a right to hold the money which they had received from the collateral notes in suspense until all the notes became due, but that as soon as the notes which were sued on in this action (which were the last in point of date to become due) had matured, the bank ought to have applied the funds in their hands to the reduction of the aggregate debt.

The object of the bank in not applying the money received by them was in order that they might prove for their whole debt unreduced by any payments, and so obtain a larger dividend of the money levied under the execution, and remaining in the sheriff's hands to be applied on the executions *pro rata* under the Creditors' Relief Act.

Although the bank credited the amount they had collected from the collaterals to an account in its books, called a suspense account, it does not appear that they set apart the fund or separated it in any way from their other moneys with which they carried on their business as bankers. The presumption therefore is that they have been and are making profit of this money belonging to the appellants, for which they render no account to the appellants and give them no credit by way of interest or otherwise, whilst at the same time they are seeking to charge the appellants with interest on the judgments which they have recovered.

As regards the point of estoppel, I am of opinion that it constitutes no answer to the counter claim of the appellants.

. . . I entirely agree with the proposition that a creditor holding a collateral security (by which term I understand a security co-ordinate with the obligation for the principal debt, and co-ordinate with any other security held for that debt, and not as implying a secondary or subordinate security only to be resorted to after prior securities have been exhausted) cannot be compelled by his debtor to release his security by turning it into money to be applied in reduction of the debt, but is at liberty to sue for and recover the full amount of his debt whilst continuing to hold his security unrealized. This was always the law in the case of mortgagees, and was acted on in the administration of assets until altered by statute.

The creditor had the right to reserve any security which had not been liquidated or realized, in order that he might exercise his own judgment as to the most advantageous time and manner of realizing it.

The remedy of the debtor, if he objected to such reservation, was to pay the debt in full and thus redeem the security. The principle upon which courts of equity acted was that the mortgagee or secured creditor was entitled to make the most of his securities.

. . . In *Kellock's Case* the question arose in a winding-up proceeding, and it was there held by the Lords Justices that the creditor was not bound to follow the bankruptcy rule, but was entitled to the benefit of that which prevailed in the Court of Chancery in administration suits. This rule, which entitles a secured creditor to choose his own time for turning his security into money, has, however, no application to the case of a creditor who has actually realized his security. In such case the money coming into the creditor's hands must be treated as payment in full, or *pro tanto*, as the case may be, for the reason that the rule that the creditor is not bound to realize his security, but may retain the same in order that he may sell to the best advantage, then ceases to exist.

Another rule, which at first sight would seem to furnish an argument for the respondents here, was that the creditor is not bound to accept a partial payment; it is his right to say to the debtor, I will not be paid in dribblets; pay me in full and redeem my security, or leave me to do the best I can with it.

To apply these principles to the present case, I quite agree that so long and so far as the collateral notes remained unpaid in the respondents' hands there was no obligation to give any credit in respect of them, and the bank was entitled to sue for and recover judgments for the full amount of the direct notes constituting the principal debt due to them by the appellants. So soon, however, as money came into their hands by the payment of the collaterals, which they were bound to use due

diligence in enforcing payment of, they were in the position of a creditor who had agreed to receive and who had received a partial payment, and were bound to appropriate those moneys in the payment, in the first place of interest and then to the reduction *pro tanto* of so much of the principal debt as had fallen due.

In the first instance the bank did this by giving credit in the first action which it brought for the sum then in hand received from collaterals. The device of carrying moneys so received to the credit of a suspense account seems to have been an after-thought resorted to for the purpose of obtaining a larger dividend out of the fund in the hands of the sheriff.

That the receipt by a creditor of the proceeds of a collateral security is to be treated as a payment is shown by the case of *Peacock v. Pursell*.

. . . This case shows clearly that if a creditor accepts from his debtor a negotiable security, the amount of which is afterwards paid to the creditor by a party to the bill, that operates at once as a payment of the principal debt.

It may be said, however, that whilst that may be so where the amount realized from the collateral security is sufficient to satisfy the whole debt, yet where it is not equivalent in amount to the principal debt the creditor is not bound to treat it as a partial payment since he is not obliged to accept payment in dribblets. Had I not been successful in finding an authority directly in point, I should however, nevertheless, have considered that a creditor who takes a collateral for less than the amount of his debt impliedly agrees that the money realized from such security shall be treated as a partial payment.

. . . The case of *Thompson v. Hudson* is a case directly in point in the appellants' favour.

The defendant in that case, in order to secure two several debts to the North-Eastern Railway Company, had made two separate mortgages to trustees for the railway company. By the rule prevailing in courts of equity which has obtained the denomination of the consolidation of securities, the mortgagees, having their two mortgages in hand, were entitled to treat the two debts as consolidated into one single liability, and for that consolidated debt to hold both the mortgaged estates as security for the aggregate debt, as was contended by the defendants' counsel and conceded by counsel for the plaintiff in the case of *Thompson v. Hudson*.

The mortgagees there having sold, under their power of sale, one estate for a price less than the whole amount of the debt, sought to do precisely what the respondents seek to do here, viz.: to hold the money so produced by the sale of part of the security as a reserve or suspense fund, and to go on charg-

ing interest on the whole debt, treating the money accruing from the sale as money which they were not bound to deduct from their debt.

The chief clerk took the account on this footing, but on appeal to the Master of the Rolls the contrary was determined, and that for reasons entirely applicable to the present case. Sir Roundell Palmer and Sir R. Baggally, arguing for the mortgagees, insisted that "the principle is that a mortgagee is not bound to receive payment of his debt by driblets." The observations of the Master of the Rolls have a direct bearing upon the contention of the bank in the case before us, viz., that it is entitled to hold the money it has derived from the collaterals as a reserve fund put in a suspense account, whilst the money itself, as we are entitled to presume, is mixed with the general funds of the bank and used in carrying on its banking business, a presumption which the device of book-keeping resorted to does not remove.

Lord Romilly, M. R., says :

The railway company had then in hand upwards of £20,000, after all interest and costs had been paid, which was the property of Hudson. What were they to do with it? They might pay it over to him; they were not bound to do so; but I think it impossible that they can contend that they are entitled to keep this money, to make interest upon it for ten years, and still to charge interest on the whole amount due to them on the larger sum It is a case of this description: A mortgagee in possession with a power of sale sells a large portion of the estate, say over half, and receives purchase money sufficient to pay all interest and costs and half the principal due. Can the mortgagee say, I will charge interest in future on the whole debt and only allow the mortgagor the rents received for the unsold moiety and nothing in respect of interest on the money received and employed by the mortgagee? I think not. I am of opinion therefore that the third exception must be allowed and that the proper mode of adjusting the account in such a case is to wipe off so much of the principal as the surplus of the purchase money, after payment of interest and costs, will discharge, and then go on with the account as against a mortgagee in possession with an altered and diminished debt. See what injustice a different rule would inflict. . . . It is true, as said by counsel for the railway company, that a mortgagee is not obliged to accept payment of part of the debt, and that the whole must be paid if any, but then why do they retain £20,000 belonging to Mr. Hudson? If they merely kept down the interest and paid the balance over to Mr. Hudson I should assent, but not when they actually keep in their hands and make interest on the sums received at a rate if employed in the conduct of the railway, as I assume it to have been, at least as great as they are able to charge Mr. Hudson on this account.

The order made by the Master of the Rolls was that the purchase money received by the mortgagees should be deducted from the capital secured by the mortgage.

This case in all essential principles appears to me to be an authority for the appellants in the present case, and to show conclusively that if the bank purposes (as of course it does) to retain the moneys coming into their hands as the proceeds of

the collateral notes, they were bound to apply those moneys in reduction of their debt, as well to such parts of it as are in judgment as to such not recovered, by first crediting these receipts on the interest and deducting the balance from the principal of the debt due to them by the appellants. The proposal to retain the money in a reserve fund until it is to the advantage of the bank to apply it—(that is for an indefinite time, for none of the learned judges in the Court of Appeal suggest any determinate time at which the appropriation ought to be made) is totally inadmissible consistently with what is laid down as law in *Thompson v. Hudson*.

As to the case decided by the Privy Council of the *Commercial Bank of Australia v. Official Assignee of Wilson*, it has in my opinion no application whatever to the present appeal; the bank in that case were not bound to apply the funds which the guarantors had placed in their hands under an express agreement that it should not be applied in payment of the debt of the principal debtor.

The appeal must be allowed, the order of the Court of Appeal and also that of the Divisional Court discharged, and a judgment based upon the counter claim entered, declaring that the appellants are entitled to have all moneys received by them as the proceeds of promissory notes lodged by them with the respondents as collateral security under the agreement of the 13th of June, 1891, in the pleadings mentioned, duly applied and credited to them in account, the said moneys so received being first applied in payment of interest and the balance in reduction of principal. The judgment must further direct that an account be taken upon the principle above indicated, and that the judgments recovered and executions issued by the respondents do stand as security only for the balance found to be due to the respondents on taking the account directed.

The respondents must pay the costs of this action in this court and in all the courts below, up to the present time, such costs to be deducted from the amount found due to the respondents.

Further directions and subsequent costs must be reserved.

TASCHEREAU, J.:—I am of opinion that the appeal should be allowed with costs. I adopt the reasoning of Street and MacLennan, JJ., in the courts below.

Sedgewick, King and Girouard, JJ., concurred in the opinion of the Chief Justice.

SUPREME COURT OF CANADA

Niagara District Fruit Growers' Stock Co. v. Walker*

Principal and Surety

The judgment of the Court of Appeal in this case, reported on p. 222 of the current volume of the JOURNAL, has been reversed by the Supreme Court. The facts briefly were as follows:

An agent was engaged by the plaintiffs from year to year for four years to sell fruit on their behalf on commission, one of the terms of the engagement being that he was to sell only for cash and that all moneys should be paid in from day to day to their credit in a named bank. The agent got into arrears with his remittances, which he attributed to slow collections, and a large balance was due by him to the plaintiffs at the end of each of the first three years, and the plaintiffs, at the end of each year, took his note for the amount due, payable in the next year. In each year he gave a new bond to the plaintiffs with the same sureties, to secure the faithful performance of his duties and the prompt payment of moneys received. The notes for the arrears were retired each year before the new bond was executed. The defendants, the sureties, entered into the contract of suretyship without making any enquiries from the plaintiffs. After the fourth season the Company discovered that the agent had lected moneys of which he had made no returns, and brought action to recover the same from the sureties.

The Court held that each year there was an employment of the agent distinct from and independent of those of preceding years; that the position of the sureties upon reappointment was the same as if other persons had signed the bond of the preceding year; and that the Company was under no obligation, on taking a new bond, to inform the sureties that the agent had not punctually performed his undertakings in respect of previous employment, nor did the non-disclosure imply a representation to the sureties when they signed a new bond that they had been punctually performed.

In the course of the judgment the important question as to

**Supreme Court Reports.*

whether a creditor is bound to disclose to a proposed surety the defaults of the debtor, is thus discussed :

It is now a well-established proposition of law that one who takes from a surety a guarantee or other security for the fidelity of an agent in his employment, is not, as in the case of a contract of marine insurance, under any obligation to disclose all facts material to be considered by the proposed surety. The case of *North British Insurance Co. v. Lloyd*, which has never been doubted, is a sufficient authority on this head. In *Davies v. London and Provincial Insurance Co.*, Mr. Justice Fry says :

It has been argued here that the contract between the surety and the creditor is one of those contracts which I have spoken of as being *uberrima fidei*, and it has been held that such a contract can only be upheld in the case of there being the fullest disclosure by the intending creditor. I do not think that that proposition is sound in law. I think that, on the contrary, that contract is one in which there is no universal obligation to make disclosure, and therefore I shall not determine this case on that view. But I do think that the contract of suretyship is, as expressed by Lord Westbury in *Williams v. Bayley*, one which "should be based upon the free and voluntary agency of the individual who enters into it."

. . . I now proceed to call attention to some decisions in which it appears to have been considered, even as a matter of law, that there was no obligation on the intended creditor to disclose to the proposed surety defaults of the debtor, under circumstances like the present, in the course of previous and distinct employment, or even previously incurred and continuing liabilities under the same contract.

Wythes v. Labouchere was a case before Lord Chelmsford. After expressing approval of the decision of the Court of Exchequer in *North British Insurance Co. v. Lloyd*, the Lord Chancellor proceeds to say :

The creditor is under no obligation to inform the intended surety of matters affecting the credit of the debtor, or of any circumstances unconnected with the transaction in which he is about to engage, which will render the position more hazardous.

In *Hamilton v. Watson*, Lord Campbell had previously laid down the rule to be that the creditor was not bound to exercise his judgment as to what it was material for the surety to know, and to that extent to make disclosure of everything to the proposed surety, saying :

If such was the rule it would be indispensably necessary to the bankers to whom the security is to be given to state how the account has been kept ; whether the debtor was in the habit of overdrawing ; whether he was punctual in his dealings ; whether he performed his promises in an honorable manner ; for all these things were extremely material for the surety to know.

It is, however, not to be assumed that the case is alto-

gether governed by legal considerations. In *Lee v. Jones*, Blackburn, J., says :

I think that it must in every case depend upon the nature of the transaction, whether the fact not disclosed is such that it is impliedly represented not to exist, and that must generally be a question of fact proper for a jury.

SUPERIOR COURT, QUEBEC

La Banque du Peuple v. Town of Iberville*

Municipal corporations—Borrowing powers

The principal facts in this case were as follows :

On the 11th August, 1892, the council of the town of Iberville passed a by-law for a loan of \$50,000, \$40,000 to consolidate the existing debt and \$10,000 to pay for the construction of drains, which by-law was submitted to a vote of the duly qualified ratepayers and carried. Before the passage of this by-law, however, the construction of drains had been commenced and certain notes given in connection therewith, under authority of resolutions passed by the council ; and after the passage of the by-law further notes were made, also under authority of resolutions of the council, to provide funds for carrying on the work, pending the negotiation of the loan. A number of these notes were negotiated by the Banque du Peuple in the ordinary course of business, and the municipality came under other obligations to the bank for advances made for current expenditures in anticipation of the collection of taxes.

On 28th December, 1893, the council passed a resolution authorizing the proper officers of the municipality to make a promissory note at four months for \$14,688.31, to consolidate the indebtedness to the Banque du Peuple, and a note for this amount was accordingly delivered to the bank. The note was not paid at maturity, and failing to obtain payment after repeated promises of payment had been made, the bank brought this action.

The claim of the bank was resisted on the grounds (1) that

*Reported for the JOURNAL

when the note of earliest date of those held by the bank was given the debt of the municipality amounted to \$47,500, and that as the town could not legally borrow in excess of \$50,000, if the bank was entitled to recover any part of the debt, which the defendants denied, it could only be to the extent of the margin of \$2,500; and (2) that the original notes representing the bank's claim were not legally authorized, the defendant not being able, according to its charter, to bind itself by notes similar to those in this cause except by an order voted by the ratepayers.

The plaintiffs rejoined that the loans in question were but temporary ones, made in waiting partly for the receipt of taxes and other revenues, and partly for the negotiation of the loan of \$50,000; that they were duly authorized by resolutions passed by the council, and to such extent as they required authorization by the ratepayers such authorization was provided by the by-law for the loan of \$50,000; that as to the contention that the said advances were in excess of the borrowing powers of the municipality, that the acting officers of the town had always declared and still declared that up to the date of the note upon which the present action was taken—including the amount of said note—the town's debt did not amount to the sum of \$50,000; that these officers were the only persons authorized and from whom the plaintiff could obtain the necessary information as to the financial condition of the town; and that even if their statements were erroneous they were binding on the defendant, who must bear the consequences of the error of its officials.

The case was argued before Charland, J., in the Superior Court, District of Iberville, on 30th January, 1895, and judgment given in favor of the plaintiffs in the following terms:

Adjudicating on the merits of the case:

Considering that under . . . the laws, the corporation defendant has the right to give and sign promissory notes for any object for which it was incorporated, and that said defendant had such rights at the date of each and every one of the notes mentioned in the present case:

Considering that the note of \$14,698.31 claimed by plaintiff, has been given by defendant for good and valid consideration, to wit: for sums received by defendant, and which

have been applied to ameliorations and expenses judged necessary by the ratepayers and the Council :

Considering that said note upon which the present action is based was signed by Chevalier, then mayor of the said town, and countersigned by the secretary-treasurer of said town, as is required by law in such case, and that the delivery of such note was accompanied by all the formalities required in order that said note may have, in the hands of plaintiff, all the effects of a regular promissory note :

Considering that at the time and before the delivery of said note and sums forwarded, defendant has declared to plaintiff verbally and by statements duly certified by its secretary-treasurer that said defendant was still in the limits of its powers to transact with plaintiff, and that its debt did not then exceed the amount for which said defendant is allowed to be in debt :

Considering that at the date of the delivery of said note and loans, defendant stated that its transactions were *intra vires*, and that in fact said transactions were *intra vires*, according to the statements and documents furnished by defendant to plaintiff, through its agents duly authorized, and that plaintiff had no other efficient means to obtain reliable information as to the financial state of the town, and to ascertain whether or not said defendant was in the limits of its powers to transact :

Considering that the doctrine frequently cited is that when a corporation places a person in a charge which implies a responsibility and thus induces a third party to rely on the integrity of such person, especially in matters concerning the charge occupied by such person, said corporation is responsible for representations, negligence or fraud of such person in trust, by which same a third party acting *bona fide* would suffer any damage or loss :

Considering that, in this case, the defendant's financial position, giving the latter right to transact and that to plaintiff's knowledge, said position is exposed by defendant, or by its authorized and responsible agents ;—that had there been error, negligence or fraud, defendant could not take advantage of same at the expense of plaintiff, which the former would have deceived :

Considering that in this case there was execution of deed ; that defendant has profited by the money obtained by the present note ; that the materials, works, ameliorations made mentioned in the defendant's plea have been made and paid with money received from plaintiff at the knowledge of defendant, and the ratepayers, who have never made any objection :

Considering that the aim of law is the triumph of justice and the protection of honesty in transactions made by municipal corporations as well as by a particular individual, and that

to allow the defendant, under the circumstances, to repudiate its engagements with plaintiff in taking possession of said sum of \$14,688.31 and profiting by the advantages derived from same, would be the assent to a most serious injustice :

Considering, moreover, that it is not sufficiently proved that, at the time of the transaction which is the cause of the present action, defendant was acting outside of the limits of its powers and attributions :

Considering that plaintiff has proved the principal allegations of its declaration and answers, and has justified the position it has taken in its contestation, and that the opposition to judgment is unfounded :

Doth dismiss the said opposition or plea in conformity with the dispositions of the judgment rendered *ex parte* in this case by this Court, on the twelfth day of June last. Doth condemn defendant to pay to plaintiff the said sum of \$14,688.31, with interest since the first day of May last and costs.

UNREVISED TRADE RETURNS, CANADA

(ooo omitted)

IMPORTS

<i>Six months ending December—</i>		1895-6		1896-7	
Free	\$21,136			\$21,634	
Dutiable.....	32,535			31,990	
	<u>\$53,671</u>			<u>\$53,624</u>	
Bullion and Coin.....	3,426	\$57,097		4,478	\$58,102
<i>Month of January—</i>					
Free	\$ 2,690			\$ 2,637	
Dutiable.....	6,563			4,801	
	<u>\$ 9,253</u>			<u>\$ 7,438</u>	
Bullion and Coin.....	492	\$9,745		28	\$ 7,466
		<u>\$66,842</u>			<u>\$65,568</u>

EXPORTS

<i>Six months ending December—</i>					
Products of the mine.....	\$3,763			\$5,146	
" Fisheries.....	7,009			7,066	
" Forest	16,965			18,623	
Animals and their produce	26,442			25,231	
Agricultural produce	8,827			8,960	
Manufactures	4,762			4,783	
Miscellaneous.....	115			100	
	<u>\$67,885</u>			<u>\$69,911</u>	
Bullion and Coin	344	\$68,229		3,212	\$73,123
<i>Month of January—</i>					
Products of the mine	\$ 590			\$1,145	
" Fisheries	850			406	
" Forest	727			588	
Animals and their produce.....	1,571			2,478	
Agricultural produce	766			939	
Manufactures	697			532	
Miscellaneous	7			8	
	<u>\$5,210</u>			<u>\$ 6,098</u>	
Bullion and Coin.....	2,664	\$7,874		50	\$6,148
		<u>\$76,103</u>			<u>\$79,271</u>

SUMMARY (in dollars)

Total imports for seven months, other than bullion and coin	\$62,925,935	\$61,062,000
Total exports for seven months other than bullion and coin	73,096 015	76,009,000
Excess of exports.....	\$10,170,080	\$14,947,000
Net imports of bullion and coin	910,193	1,244,000

STATEMENT OF BANKS acting under Dominion Government charter for the months of December, 1896,
January and February, 1897, and comparison with February, 1896 :

LIABILITIES

	31st Dec., 1896	31st Jan., 1897	28th Feb., 1897	29th Feb., 1896
Capital authorized	\$ 72,958,685	\$ 72,958,684	\$ 73,458,685	\$ 73,458,685
Capital paid up	61,731,354	61,756,813	61,831,391	62,196,496
Reserve Fund	26,670,799	26,728,799	26,728,799	26,458,799
Notes in circulation	\$ 33,095,784	\$ 30,208,157	\$ 30,409,197	\$ 29,819,536
Dominion and Provincial Government deposits	5,468,528	6,137,452	6,081,085	6,417,385
Public deposits on demand	70,529,211	67,023,611	65,095,602	60,419,199
Public deposits after notice	126,101,012	126,428,551	126,937,852	121,446,870
Bank loans or deposits from other banks secured	140,000	130,000	117,654	9,050
Bank loans or deposits from other banks unsecured	2,644,940	3,259,607	2,587,137	2,539,592
Due other banks in Canada in daily exchanges	93,962	83,406	77,003	90,997
Due other banks in foreign countries	341,530	375,754	355,138	177,187
Due other banks in Great Britain	2,834,450	2,780,421	2,489,107	4,265,396
Other liabilities	579,349	623,077	438,251	672,942
Total liabilities	\$241,828,840	\$237,050,124	\$234,588,105	\$225,858,247

ASSETS

Specie	\$ 8,593,212	\$ 8,530,355	\$ 8,246,676	\$ 7,904,370
Dominion notes	15,225,788	15,538,691	15,768,201	12,752,147
Deposits to secure note circulation	1,846,218	1,846,218	1,846,218	1,814,614
Notes and cheques of other banks	9,016,940	6,084,120	5,473,393	5,883,170
Loans to other banks secured	150,000	218,057	195,483	4,050
Deposits made with other banks	3,363,846	3,837,139	3,120,378	3,312,812
Due from other banks in Canada in daily exchanges	180,307	117,385	119,679	149,695
Due from other banks in foreign countries	16,743,355	16,394,262	16,608,157	18,662,882
Due from other banks in Great Britain	9,585,038	9,623,745	9,146,840	4,710,922
Dominion Government debentures or stock	2,796,828	2,793,908	2,794,416	2,991,549
Public municipal and railway securities	22,498,436	22,850,819	23,043,562	20,218,743
Call loans on bonds and stocks	14,030,962	13,911,564	13,764,862	14,083,576
Current loans and discounts	210,522,074	208,433,812	208,732,374	207,484,616
Loans to Dominion and Provincial Governments	872,395	188,631	386,023	382,073
Overdue debts	3,988,746	3,947,434	3,697,930	4,073,863
Real estate	2,071,594	2,078,996	2,022,991	1,447,906
Mortgages on real estate sold	452,656	472,250	472,413	567,634
Bank premises	5,646,569	5,651,203	5,646,185	5,661,382
Other assets	2,107,092	2,282,968	2,217,616	2,167,606
Total assets	\$329,692,255	\$324,801,753	\$323,303,595	\$314,273,808
Loans to directors or their firms	\$ 7,960,665	\$ 7,815,286	\$ 7,912,382	\$ 7,888,462
Average amount of specie held during the month	8,285,936	8,541,645	8,457,155	8,028,175
Average Dominion notes held during the month	14,997,244	15,377,432	15,730,996	12,920,153
Greatest amount of notes in circulation during month	35,429,816	32,916,222	30,974,636	30,474,786

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton
Winnipeg and St. John

(000 omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG		ST. JOHN
	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	
March ...	\$ 42,464	\$ 36,643	\$ 22,332	\$ 26,087	\$ 4,174	\$ 4,357	\$ 2,462	\$ 2,516	\$ 2,929	\$ 4,286	\$ 1896-7
April	41,995	37,589	21,960	26,111	4,413	4,790	2,610	2,729	3,093	4,032	
May	51,969	44,324	25,698	27,796	4,904	5,064	2,704	2,733	4,156	4,246	2,413
June	52,353	43,129	26,772	28,384	5,090	4,550	2,913	2,775	3,865	4,094	2,418
July.....	51,902	44,796	26,838	30,394	5,739	5,467	2,972	2,847	1,938	4,961	2,879
August ..	49,314	41,574	23,235	25,128	6,264	5,556	2,726	2,367	3,937	4,646	2,602
September	45,251	44,763	22,543	24,870	4,694	5,036	2,706	2,829	4,008	4,630	2,283
October ..	53,298	48,999	28,437	29,242	5,613	5,387	3,402	3,131	7,911	7,585	2,292
November	54,397	50,215	28,633	29,129	5,444	5,063	3,303	2,856	8,503	8,895	2,362
December	54,138	51,033	33,728	33,146	5,462	5,547	3,224	3,051	6,641	7,736	2,566
January ..	46,663	43,577	33,095	31,117	5,795	5,135	3,227	2,863	4,977	5,009	2,200
February.	38,123	38,480	28,544	24,592	4,799	4,208	2,686	2,591	4,052	3,851	2,016
	581,777	525,122	321,815	335,996	62,271	60,160	34,995	33,288	58,110	63,971	24,031

*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.

JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

JULY—1897

THE EARLY HISTORY OF CANADIAN BANKING

IV

THE FIRST BANKS IN LOWER CANADA

WE have already observed that just before the outbreak of the war of 1812, Canada was suffering from the lack of a circulating medium, and that attempts were being made to establish banks in both provinces, with the expectation of relieving the stringency. The real difficulty, however, was a more serious one than the mere lack of currency.

The French Canadians, from their past experience, had acquired the capacity to live a very frugal and self-contained life. They did not, in proportion to their numbers, furnish a great deal for export, but they required even less in imports, and, though their trade was expanding under British rule, yet, as a body, they were but slightly affected by the commercial uncertainties of the Napoleonic era. The English element, around Montreal and in Upper Canada, were much more enterprising, though, perhaps, not more industrious than the French, but, as

a class, they were very far from being so self-dependent. Most of them had been settled by the government on an artificial basis. As public aid was gradually withdrawn, and they were left to depend upon their own efforts, they found it difficult to adjust themselves to the new circumstances, especially under the fluctuating condition of values during the few years preceding 1812. The time had arrived, as Cartwright foretold, when, in the export of their produce, the disadvantages of their inland situation were operating in their full force, and much of the return was absorbed in the cost of transportation and exchange. In addition to these ordinary difficulties, there were many changes and uncertainties in the commerce and carrying trade of Canada, owing to the English orders-in-council, the retaliatory decrees of Napoleon, and the non-intercourse Act of the United States. Marine insurance was also very high. To crown all, the seasons in Europe were very irregular, with corresponding uncertainty in the prices of provisions. Owing to their remoteness, the Canadians were prevented, on the one hand, from avoiding a ruinously low market, or on the other, from taking advantage of an unusually high one. The difficulty in making nice adjustments between income and outlay may be indicated from the fact, taken from the Cartwright letters, that returns for flour and potash sent to England in 1810 and 1811, were being received in 1813.

Another feature of the situation worthy of note, was the fact that, while the country was being drained of specie, bills of exchange on England continued to steadily decline. This was naturally attributed to the scarcity of a circulating medium. Why, then, it might be asked, were not bills of exchange exported instead of specie? For the reason, already indicated, that the exports went to England, while the imports came largely from the United States in small quantities not payable in bills of exchange. This indicates that the greatest service which a banking institution could have rendered to the country at that time would have been to undertake a more economic adjustment of the country's foreign exchanges. That it would have been a very profitable undertaking, if conducted upon a sufficiently large scale, is evident from a comparison of the prices of bills in the American and Canadian markets. When ulti-

mately established the banks found the exchange business to be more profitable than any other, and through their action the exchanges were brought to a more stable equilibrium, although the banks were severely criticized for their influence by those who required cheap bills.

While, then, the apparent and growing difficulty of the country before the war, was a scarcity of the circulating medium, the real difficulties were uncertainty in the markets for exports with no prompt knowledge of their changes, cost and delay in transportation and severe loss in effecting exchanges owing to the lack of any special organs for properly understanding and effecting them.

Having thus summarized the situation, we are perhaps better able to understand the nature and effects of the army bills, which began to be issued in 1812. It is not necessary to our present purpose to give any special account of the mechanism and working of the army bill system. However interesting in itself, it had no special connection with the development of Canadian currency and banking. The system was in essence, if not in name, simply a mechanism enabling the British government to carry on the war without sending money to the country, by issuing orders which were chiefly to be paid in British goods, any surplus to be paid in specie to be sent when convenient, or as occasion required. Had there been sufficient available specie in the country, the usual method of selling bills of exchange on London would have been adopted; but there being so little available money the bills were certain to be sacrificed. It was therefore proposed to issue a form of government paper money bearing interest on all bills of twenty-five dollars and upwards; the principal to be paid by the home government and the interest by the Canadian government. They were made convertible on demand into bills of exchange on England, the smaller bills bearing no interest, being payable on demand in specie.

While the mechanism of the army bill office was a temporary and isolated fact, the circulation of the bills produced a permanent effect upon Canadian currency and exchange, especially through their influence on the ideas of the people as to the capacities of paper money.

The army bills were first issued in Lower Canada in July, 1812. The French-Canadian populace were for a time very suspicious of them, always preferring metallic money, often refusing any other, and when taken the bills were converted into specie as soon as possible. As usual, a good deal of the latter went into their private hoards. Governor Prevost reporting to Bathurst, March 10th, 1814, complains of the difficulties in which he is placed for want of specie: "The paper currency has as yet proved itself an indifferent substitute to bullion, in consequence of the inveterate prejudices against it in the minds of the Canadians, and the frequent attempts made by the enemy to imitate it."

Among the English section of Lower Canada and in the Upper Province the bills circulated very freely.

Inasmuch as the issue of the army bills was followed by a period of increasing prosperity, the people naturally attributed it to the supply of a circulating medium, and were confirmed in their opinion that what the country had been suffering from was simply lack of money. Had the Canadian government issued paper money in a similar manner, there would have been afforded just as great a supply of circulating medium, but not being available for purchase of imports, it must have rapidly depreciated, as neither goods nor specie could be obtained for it. To supply a circulating medium was really the least of the functions of the army bills, and a mere incidental one. They were mainly instruments of an enormous positive increase to the wealth of the country and the possibilities for consumption. Their over-issue was hardly possible.

As a matter of fact, the war proved a veritable godsend to the people of Canada. A few of the militia were killed, and some of those in the track of the invading enemy suffered loss of property, but in most cases this was afterwards more than made good. People generally, however, enjoyed an era of prosperity unknown since the similar conditions of the revolutionary war, and they were now in a better position to appreciate it. French Canadians replenished and added to their hoards, the merchants gathered in their large outstanding debts, and greatly profited by the new trade. The settlers were offered war prices for more provisions than they could furnish. After the first

alarm was over, the greater part of the country engaged in making money and enjoying life. The long and difficult system of transportation from Kingston to Montreal, which it was expected the enemy would at once close, remained open, much to the joy and surprise of the people, during the greater part of the period. Little passed down the river save bills of exchange, army bills and latterly specie, but everything came up from ships of war for the lakes to many forms of luxury hitherto unknown in the woods of Canada.

In consequence of all this an important change came over the economic life and habits of the people of Canada, except the rural French element. The system of barter was broken up, as also that close interdependence of the settlers which had prevailed up to this time. Everywhere the more flexible cash nexus was being introduced. People became accustomed to the use of paper money, and not recognizing the radical difference between the army bills and bank notes, when the bills were withdrawn and banks were organized, they experienced no great difficulty in circulating their notes among the English element at least. Fortunately, before they had gone very far, experience served to modify the erroneous ideas under which the banks were established, and the country was saved from certain disaster.

Some of the peculiar conditions which existed under the army bill issue are worthy of note, on account of the impressions which they left upon the country as to the virtues of a paper currency. It was confidently expected by the merchants who had bills of exchange to sell, that when the army bills were in circulation, the currency of the country being increased, there would be a considerable rise in the value of the bills, the previous low price being attributed to the scarcity of currency. The army bills, however, were themselves convertible into bills of exchange on England, and hence were not to any great extent available for the purchase of bills from other sources. It is true that bills drawn against exports were greatly diminished, practically stopped altogether from the upper province, but bills for pensions, salaries, and the procuring of specie for situations in which army bills would not answer, continued to increase. Intercourse with the United States being nominally shut off, outlet there was discouraged. As a consequence, instead of bills of

exchange rising in value with the increase of a circulating medium, they continued to decline. In July, 1814, Mr Cartwright makes special reference to the very low rate of exchange, and mentions the fact that he has purchased a sterling bill of £61 2s. 2d. for £55 currency. This should have brought about £75 currency if there had been an equilibrium of exchange. Had the army bills been a provincial issue the very opposite would have been the result.

It is difficult to say how low the bills of exchange might have gone, had not the insulation between Canada and the United States given way under the pressure of self interest. I have referred to the period of unusual prosperity enjoyed by the United States in its neutral position during the long term of the Revolutionary and Napoleonic wars. When, however, the English ships blockaded the American coast and largely shut off their bulky export trade, they were compelled to meet their foreign obligations in specie and bills on Europe. Bills, being safer, rose to a premium just when in Canada they were sinking to a low discount. There was therefore a very unusual profit in selling Canadian bills in the United States. This traffic, once opened, was carried on through many different channels, and a large quantity of specie was introduced into Canada in this manner. The American side of the story is given by Mr. Albert Gallatin, a distinguished secretary of the United States Treasury, in a work entitled, "Considerations on the Currency and Banking System of the United States": Phila., 1831. The Canadian side is taken from letters and accounts of the time, showing that even during the period of the greatest expansion of the army bills, in 1814, large amounts of specie were in circulation in Canada.

That specie should have been most plentiful at the same time that the army bills were at their height is a circumstance which could not have occurred in the case of any large issue of government paper money, and is a further indication that the experience of Canada with these bills was entirely unusual and quite unsafe as a guide for future experiments in the issue of paper currency. Nevertheless, the experience with the army bills was very impressive, and paper money came to be regarded not merely as a circulating medium but as capital to develop the resources of the country.

The army bill act was still in full operation, the bills at the height of their circulation being about £1,500,000, and the issue of the war still unsettled when the next move was made for the establishing of a bank in Lower Canada. We find, from the journals of the Assembly, that on the 8th of February, 1815, a motion was introduced by Mr. Cuvillier, seconded by Mr. Taschereau, that on Monday next the house should resolve itself into a committee of the whole "to consider the expediency of establishing a bank in this Province." The matter, however, was postponed till February 24th, when it was taken up and discussed, but that is the last we hear of it. This indicates that the merchants of Canada did not wait for the withdrawal of the army bills before renewing the agitation for a bank. From this time on the question was a very live one.

At the next session of the Legislature on February 6th, there was presented, by Mr. Cuvillier, a petition of divers merchants and other inhabitants of the city of Montreal, setting forth that the commerce and agriculture of the provinces of Upper and Lower Canada have of late years considerably increased, and, now that the war is over, if cherished and stimulated, may be productive of most beneficial and permanent results to both Canada and the mother country. The lack of a circulating medium may impede this development, hence they consider it desirable that a bank should be established to aid the commercial and agriculture pursuits, and to furnish a circulating medium as a substitute for the precious metals, and to give that range and facility to commerce which can alone render it safe and lucrative. As Canada has attained to the position of requiring the establishment of a bank, they pray the legislature to grant them incorporation as a banking company.

The petition was referred to a committee of five, with power to send for persons and papers, and to report either by bill or otherwise. The report of the committee was handed in on the 8th of February, and is a very considerable and interesting document, giving, as it does, the ideas as to banking, and the capabilities of a paper money, which prevailed among even the best informed men in the country.

Mr. Woolsey, afterwards first president of the Quebec Bank, gave it as his opinion that the establishment of a bank in the

province would greatly encourage its agriculture and commerce. Both these industries suffer from a continual drain of specie to the United States and the mother country, and from the want of a circulating medium to take the place of the precious metals.

Mr. Stewart also favored the bank, especially an incorporated bank ; the present circulating medium is inadequate to the needs of the two provinces and the States in their immediate neighborhood. A bank would keep the trade up to its present level, and would afford the only means of causing it to increase.

Mr. Mure referred to the great increase in the commerce of the country, and though now checked by the peace and the consequent diminution of public expenditure, it will no doubt revive with growth of population, and greater attention to agriculture. Most of the specie in circulation is in silver, and is both inconvenient and risky. He fears that the amount of currency will not long be sufficient for the commerce of the country, especially as the rate of exchange with the United States gives promise of turning so as to draw off specie from Canada. He thinks a bank would do much to supply the deficiency. The experience of the use of army bills in late years "has proved the great advantage of a paper medium on a solid basis, and given a confidence to the inhabitants of the country which in my opinion, will induce many of them to become shareholders in the bank, and make the interest in it become so general that it can hardly fail to succeed."

Mr. Lymburner, referring to the obvious benefits of banks, said that their note issue "by displacing an equal amount of the precious metals, creates a new capital, and in English countries where capital is the grand desideratum, . . . it may in this way give an incalculable strength to industry in all its branches. The experience of many commercial countries places this in a striking point of view." He refers to the prudence and skill required in the safe management of banking establishments, to guard against unwise advances and the over-issue of paper. To regulate the issue the notes should be made unconditionally payable in specie on demand. He thinks bank notes would now circulate freely in Canada, as the old prejudices against paper money have been weakened by the late army bill currency, and bank notes will be found to be much more convenient than gold and silver, and in every respect equal to them.

Mr. Symes said the notes would facilitate the transaction of business by giving a method of paying and receiving money with less trouble, and would permit persons to obtain advances without such sacrifices as before.

It was suggested by others that bank notes would facilitate the conveying of money between Montreal and Quebec, as also through other parts of the province.

Here we observe a general tendency to confuse capital and circulating medium, as well as a failure to observe that it is impossible to enlarge the sphere of redeemable paper money to take the place of specie which is leaving the country. When specie is being exported, either the bank must curtail its circulation or suspend the redemption of its notes.

Along with the report Mr. Cuvillier presented a bill to give effect to its recommendations. The bill was passed through the various preliminary stages without any trouble, and was referred to a committee of the whole house to be taken up on the 27th of February. But the very next day, the House having entered upon forbidden ground, in the assertion of its right to impeach the Judges Sewell and Monk, Sir Gordon Drummond suddenly dissolved the Legislature, declaring his intention to take the sense of the country. Thus the bank bill, along with several others, came to an untimely end. There seems no doubt that the bill would have passed the legislature had time permitted.

Early in the following session, a new legislature having been elected and Sir John Coape Sherbrooke having succeeded as Governor, Mr. Cuvillier once more presented his bank bill, on the 31st of January, 1817. Again it passed through the various stages, as the business of the house permitted. On February 5th, it was read a second time and referred to a committee, it being ordered that one hundred copies of the bill be printed for the use of members of the house. Possibly one or two of these may have survived, though I have not yet been able to discover any. This committee reported favorably and the bill got as far as a first discussion in committee of the whole house, when once more the Legislature was suddenly prorogued. Sherbrooke had reported to Bathurst on February 1st, that the new house was evidently intending to follow the course of the last one in taking up the impeachment of the judges, but he had succeeded

in getting them to first take up urgent public business. When this was fairly well through, he adroitly prorogued the house, reporting to Bathurst that the discussion on the impeachment had been staved off for another session. Thus a second time the bank bill was snuffed out before any final settlement of it could be made, but without any indication that there was any regular opposition to it.

By this time the greater part of the army bills was redeemed, only some £59,000 remaining in circulation, and there was beginning to be a real need for an addition to the currency of the country. The merchants of Montreal, who had been chiefly interested in the attempts to get a bank charter, feeling, no doubt, that the sympathy of the business community was with them, and that it would be a pity to lose another year with no more certainty of success, the political conflict still raging, decided to start the bank without a charter. Accordingly, on May 19th, 1817, the articles of association of the Bank of Montreal were adopted, and the corporation proceeded to organize. The articles of association were published in the *Montreal Herald*, May 22nd, but I have not been able to discover any issue of the paper for that period. The *Quebec Gazette*, of May 29th, copies the following item from the *Herald*: "In the first page of this paper the articles of the Montreal Bank Association are laid before the public. Such an establishment has always been a favorite with this journal, and we cannot but congratulate the community on the prospect of a wonderful change for the better in the agricultural and mercantile pursuits of this province. The articles of this most laudable association, so far as we are enabled to judge from practical experience in our younger years, and from much reading, are drawn up with great judgment and wisdom, and seem extremely well calculated for our local position. We forbear making any remarks on the subject for the present, further than that we wish the establishment the utmost success in all its bearings."

From contemporary references to the bank and its articles of association, as well as from other evidence, as pointed out in the first of this series, the articles of association were without doubt adapted from the bill of 1808, which was copied from the Act establishing the Bank of the United States. On the other hand,

the articles of the Montreal Bank were accepted with very slight changes by each of the three other banks started the following year.

At this time the second Bank of the United States was in operation, having been organized in January, 1817. That the promoters of the Montreal Bank still looked to the United States for guidance is evident from the fact that one of its officers was sent to New York to study the system and methods of the Bank of the United States, and one, if not more, of its first officers was an American who had had experience in American banking. From the United States also came the first notes and plates for printing them. The bank was opened for organization and the receipt of instalments on the shares subscribed, in August, 1817, but did not begin the regular business of banking before November. It appears that the bank depended largely for its supply of specie upon the hoards of the more wealthy French Canadians, which, as usual, had been industriously replenished during the prosperous period of the war. Some coaxing was required to induce them to part with the specie for Bank of Montreal stock, and the army bill experience was the best argument employed. As the *Montreal Herald* remarks in an editorial, in August, 1818, public opinion has undergone a very great change within the last four years. Formerly banks were spoken of with contempt, but now the Bank of Montreal has been firmly established, and three others are in process of organization in Quebec, Montreal and Kingston. We find, however, that the country people still retained much of their prejudice, the result no longer of personal experience, but of historic conviction. It was, perhaps, as well for the banks of Lower Canada that this was so, for when their notes came into the hands of the French Canadians they steadily converted them into specie on the first opportunity, and thus tended to prevent the banks from over-issuing until they had gained experience and corrected their first large ideas about the capacities of paper money. This was an advantage which the first banks in Upper Canada did not enjoy, and for lack of which they suffered.

The first officers of the Bank of Montreal were, President, John Gray; Cashier, Robert Griffin; Accountant, H. Dupuy; first Teller, Mr. Stone, an American gentleman. The names of

the Directors appointed the first year after organization were as follows:—John Gray, George Garden, John Forsyth, Horatio Gates, James Leslie, George Moffat, F. W. Ermatinger, David David, Austin Cuvillier, John McTavish, George Platt, Hiram Nichols, Charles Bancroft. These names show that the institution was identified with the best commercial interests of the country.

Although the bank was established and went into operation as a private corporation, its promoters did not give up the idea of obtaining for it a provincial charter. Accordingly, at the next session of the legislature, Mr. Cuvillier, on January the 23rd, 1818, once more presents a bill to incorporate certain persons therein mentioned under the name of the Montreal Bank. After going through the usual process, and being slightly amended, first in general committee, and afterwards in the Legislative Council, it managed to reach the end of its parliamentary career before the proroguing of the legislature. When, however, the bills came up for the Governor's signature, the bank bill, together with the bills for incorporating fire insurance companies in Quebec and Montreal, were reserved for the expression of His Majesty's pleasure.

In the meantime, stimulated by the example of the Montreal Bank, two other banks in Lower Canada were being organized, the Quebec Bank, at Quebec, and the Bank of Canada, at Montreal.

The first effort to establish a bank in Lower Canada was the result of a joint movement on the part of the Quebec and Montreal merchants. But now that the Montreal people had established a bank of their own, the Quebec merchants resolved to do the same for their city. The first public intimation of the movement is the following advertisement which appeared in the *Quebec Gazette* of February 2nd, 1818: "Notice. The merchants, proprietors and others, concerned in the agriculture, trade, and general interests of the Province, are requested to attend a public meeting to be held at the Union Hotel, on Thursday next, the 5th inst., at twelve o'clock, to take into consideration the expediency of establishing a bank in this city, and name a committee to digest the articles of association thereof, etc."

The meeting was duly held, at which the following resolu-

tions were passed:—"Resolved, that the establishment of a bank in the city of Quebec is an object of the highest importance to the community at large, should materially assist the agricultural interest of the district and afford great relief to the commerce of the country, so much depressed at this moment.

"Resolved, that the said establishment of a bank on principles of solid capital and integrity is immediately and urgently required by all classes of the citizens of Quebec; and more particularly so as the actual quantity of gold and silver is, as a circulating medium, inadequate to the wants of this district, and subject to perpetual fluctuations.

"Resolved, that a bank should be established in the city of Quebec to be entitled the Quebec Bank; and that at such future period as may be thought advisable, a memorial be presented to the legislature, praying that an act may be passed to incorporate the same.

"Resolved, that experience has proved that a bank may be established and operated, on principles of the most solid and perfect security, both to the individual stockholders and also to the public at large, without any charter of incorporation. That this meeting do approve of the schedule now submitted as the basis of a contract of mutual association, for the establishment of a bank in this city."

These resolutions were referred to a committee, which was requested to consider the provisional articles submitted, and to draw up final articles to be submitted at the next meeting to be held on the 16th inst.

At the meeting on the 16th of February the report of the committee on the articles of association was received, and the articles ordered to be printed for the information of the public. Amendments and suggestions were to be received till March 17th, when a meeting would be held to finally ratify them.

In the meantime, as the legislature was in session, those promoting the bank resolved to apply for a charter. Accordingly a bill was introduced on February 27th, which got as far as being read the second time and referred to a committee of the whole house on March 19th. However, without waiting for a decision on their bill, the meeting, called for the 17th of March, ratified the articles of association, and next day the books were

opened to receive subscriptions to the stock. Thus the failure to get their bill through the house before the close of the session, which was probably expected, did not prevent the progress of the bank. Delay, however, came from another quarter.

It appears that in the succeeding few months some efforts were made to secure the amalgamation of the Quebec enterprise with the Montreal Bank, but the negotiations failed, and in the *Gazette* of July 9th, we find the following item:—"At a meeting of the merchants and others interested in the establishment of the bank, held at the Exchange yesterday, we understand it was resolved to establish a bank in this city, independent of any other establishment. A branch of the Montreal bank, we find, is also to be opened in this city."

Up to the end of July only one-third of the stock of the Quebec Bank had been subscribed for, and the remaining two thousand shares were again offered to the public on August 1st. By the 24th of August other two hundred shares had been taken up, and it was resolved to call a meeting for the 17th of September, at the Exchange coffee house, to proceed to the election of directors. At that meeting the following gentlemen were elected directors:—John M. Woolsey, Philip A. De Gaspé, James McCallum, sr., Benjamin Tremain, John Jones, jr., W. G. Sheppard, Charles Smith, Thomas White, Louis Massue, John Goudie, Jean Langevin, E. C. Lagueux, Henry Black. The directors elected J. W. Woolsey as president, and Thomas White as vice-president. Mr. Noah Freer was appointed the first cashier. The first instalment on the stock was called for on October the 6th, and the bank was in operation by the end of October, as would appear from the following:—"Quebec Bank. Director for the present week, John Jones, jr., Esq. Days of discount, Monday and Thursday. Notes offered for discount should be inclosed to the cashier and given in before the day of discount. Hours for public business at the bank, from 10 a.m. to 3 p.m. Noah Freer, Cashier.

"No. 5 Sault-au-Matelot St. 28th October, 1818."

The other bank, known as the Bank of Canada, was a direct rival to the Bank of Montreal, and was established in the city of Montreal by a number of speculative Americans, attracted to the country by the prosperity of the war period.

They, too, adopted the articles of association of the Montreal Bank. There were twenty-five of these articles, the whole of which were adopted by the Quebec Bank, but the fifth and ninth articles were dropped by the Bank of Canada for obvious reasons. The fifth article imposed limitations on the number of shares for which a single individual might subscribe at any given stage in the organization of the bank. The ninth article limited the choice of directors to persons who were either natural born, or naturalized subjects of His Majesty, or had resided seven years in the province. There were a few other minor changes. The articles of association were adopted on May 7th, 1818, and the book for stock subscriptions was opened at the same time, at the office of James McDonall. The stock was taken up by a limited number of persons, and the stockholders were summoned to meet on May the 27th, at the City Tavern, to elect directors. On June 6th the bank advertised for a cashier, and Robert Armour received the appointment. On July 18th, a call was made for the first instalment of fifteen per cent. on the stock subscribed, to be paid on or before the 24th of August. On the 22nd of August the directors announced that the bank would commence business on Tuesday the 25th. The Bank of Canada was the most ambitious bank of the three, starting with a capital stock of £300,000, the Montreal bank having £250,000, and the Quebec Bank £150,000. From the nature of it the Bank of Canada was not very firmly rooted in the stable financial interests of the province, depending apparently on the exchange business with the United States. It soon found it expedient to reduce its stock to £200,000, and, although apparently honestly managed, when the severe depression of the early twenties was experienced, it found it necessary to wind up its affairs, in which it was assisted by the Bank of Montreal, which took over its business. Considerable loss was sustained by the stockholders, but the customers of the bank did not suffer.

As we have seen, the bill to incorporate the Bank of Montreal, which passed in 1818, was reserved, while the Quebec Bank bill did not reach any conclusion. When the next session of the legislature opened in January, 1819, it was not known whether the Montreal Bank bill had been sanctioned or not,

hence the Montreal people made no further effort at that session. The Quebec Bank, however, once more applied for a charter. Their petition, presented by Mr. Vanfelson, sets forth the need for a bank, long felt by the business men of the city. The circumstances attending the establishment of the bank, in 1818, are given ; mention is made of the fact that the whole of the stock, £150,000, has now been subscribed. But, while the bank is successfully in operation, its full benefits cannot be realized, and great inconvenience in the conduct of its business must be experienced unless it obtains legal incorporation. Hence, they apply for an act of incorporation on terms as nearly as possible in accordance with their articles of association. The petition was referred to a committee, who reported with a bill which successfully passed through all the stages of the lower house, and was sent up to the Legislative Council, from which it never emerged. Doubtless the Council was waiting to see what treatment would be accorded the Montreal bill, before passing any others.

Whether or not anything was ever heard of the reserved bill of 1818 to incorporate the Montreal Bank, I have not been able to discover. It would appear to have been wholly overlooked or forgotten. At any rate, the Montreal people gave it up for lost, and at the next session of the legislature, extending from 14th December, 1820, to 17th March, 1821, all three banks presented petitions setting forth their claims, and praying for incorporation. The three bills successfully passed both houses, but were all reserved for the expression of the King's pleasure. More than a year after being passed they seem to have been brought to the notice of the Home Government, doubtless by the agent of the province in London. On May 18th, 1822, the royal assent was given to the bill to incorporate the Bank of Montreal, and it was proclaimed in Canada on July 22nd in the same year. Not till September 16th were the bills to incorporate the Quebec Bank and the Bank of Canada assented to, and it was the last day of November, 1822, before their proclamation in Canada. Thus did the first banks in Lower Canada pass through the initial stages of their career.

The banks did not escape without criticism. Much of it was due to short-sighted self-interest ; a few, however, judged

them by higher standards. The first considerable public criticism with which I have met, appears in the shape of a pamphlet published in Quebec in 1820, and entitled, "An inquiry into the origin and present system of Colonial banks and their dangerous effects ; with a proposal for a national bank." This is, of course, a criticism of the banks in their unchartered condition. The writer is evidently a man of intelligence, and well acquainted with the facts. He first points out that in their bases and methods, the banks in Canada are wholly unlike those in Britain, where they would be considered quite contrary to law. He outlines the condition of the country before, during, and after the war. War, he says, which in most countries brings with it poverty and devastation, brought prosperity to Canada, and, by flooding the country with money, changed the character of its business. After the peace, at which few people in Canada rejoiced, sufficient retrenchment did not follow, the balance of trade changed, and specie began to disappear. Efforts were made to sustain the prosperity by artificial means. Capital accumulated during the war period was freely invested. So many people had been diverted from agriculture by opportunities for profitable government employment, that after the peace the cities and towns largely depended upon the United States for the necessities of life, for which, too, specie was being exported.

Not perceiving the true cause of the growing difficulties, the merchants and others sought to establish a bank. The apparent success attending the first bank has given encouragement to others, and there is no telling where it will end. But the success of the banks, so far, is a measure, not of the prosperity, but of the financial difficulties of the country. He refers to the unbounded confidence which the tradesmen have in the banks, and the ready currency which they give to their notes. So far, he admits, the banks have been able to combine private advantage with public confidence, but he fears for the future. He criticises, particularly, the limited liability clause in the articles of association, the essential part of which, as expressed in the articles of each of the banks, was as follows :—" It is hereby " expressly and explicitly declared to be the object and intention of the persons who associate themselves under the style

"or firm of... .. that the joint stock or property of the said "company (exclusive of dividends to be made in the manner "hereinafter mentioned) shall alone be responsible for the debts "and engagements of the said company." He points out that as these institutions are private corporations, no amount of advertising of their limited liability can free them from the unlimited obligations resting upon private persons. Confidence in the honor and prudence of the directors may do much to lessen distress, but it cannot do away with the danger. He then proceeds to state some very sound principles with reference to credit and banking. He doubts whether the whole of Canada can support more than one bank; and at that time there certainly did seem to be danger of overdoing the business in Lower Canada, while Nova Scotia and Upper Canada were going into banking at the same period. After pointing out various liabilities to loss and collapse, he urges that the House of Assembly should appoint a committee to investigate the condition of the banks and define the responsibility of the directors and stockholders. His constructive idea is that the issue of paper money should be confined to government, and that a national bank should be established by the government, the profits from which to be applied in improving navigation. His constructive scheme, however, is not so good as his criticism of the loose and mistaken ideas on the subject of paper money which were current in the business community. The events of a few years later amply justified his warning. Other criticisms of less note appeared from time to time. At length, on the 30th of December, 1823, the matter was brought up in the legislature of Lower Canada, and a committee was appointed to enquire, "If any, "and what inconveniences have resulted from the establishment "of banks in this Province." On the 28th February, 1824, the report of this committee was presented, and though it formulated nothing, yet the evidence presented is full of interesting detail. Among those examined were the president and cashier of the Quebec branch of the Bank of Montreal, the cashier of the Quebec Bank, the agent of the Canada Bank in Quebec, and several merchants of Quebec and Montreal.

It appears that there was very considerable jealousy as to the political influence, and consequent opportunities for profit,

enjoyed by the Bank of Montreal. It was favored with the custody of a large amount of government money, upon which cheques were drawn, and these were commonly paid out in the notes of the bank. The government patronage, which the Bank of Montreal enjoyed both in Lower and Upper Canada, was indeed an immense advantage to any bank in those days, owing to the command of specie which it thus obtained. The importing merchants seem to have been convinced that the banks were chiefly responsible for the high price of exchange. The larger quantity of bills on Britain, and especially those of short date, were issued by the Commissariat Department, from which the banks were supposed to purchase them, and afterwards sell them at a higher rate to the merchants. When we consider that within ten years bills of exchange on England had passed from a very considerable discount to a premium of eight or ten per cent., and that within that time the banks had developed their business, we are able to understand, if not to appreciate, the feelings of the merchants. The officers of the Montreal Bank were able to deny that they bought bills from the Commissary-General which they afterwards sold to the merchants at a higher rate, because the bank always sold its own bills of exchange. However, the banks were not to blame for the condition of exchange; on the contrary, they were able to claim, with reason, that the operations of the banks greatly steadied the rate of exchange, and were highly beneficial to the country in general.

Favoritism in the discounting of bills was also charged against the banks. Whether the grievance was a very real one or not in the cases mentioned, yet it is apparent from the general evidence and from the partial admissions of the bank officers, that the public were not treated with perfect impartiality in the matter of loans. The interests of the banks and of the merchants who held their stocks were still too closely connected to admit of a perfect separation of their interests. The rivalry between the business men of Quebec and Montreal crops up very strongly in this evidence. The deposits received at the Quebec branch of the Bank of Montreal were said to be only partially loaned in Quebec, the rest being sent to Montreal for the use of the friends of the bank there, and to the advantage

of Montreal generally. The Quebec Bank, it appears, did not deal in foreign exchanges, but it was a considerable part of the business of the others. The Bank of Canada no doubt had chiefly in view, at the time of its establishment, the American exchange business, which was then very brisk, but which fell off in the early twenties owing to the financial distress in that country. This may no doubt explain in large measure the decline in the business of the Bank of Canada. The Bank of Montreal, however, was the great exchange bank even in those days. It soon established an agent at New York, and from the time of organization of exchanges with the United States after the peace the Canadian rates of exchange were determined by New York. Any legal prohibition of the banks from dealing in exchanges, as was advocated by many merchants, would not have affected the price of exchange, but would simply have introduced agents of American banks as purchasers of the Commissary-General's bills.

As I have said, the evidence taken afforded no specific basis for report, but it shed a good deal of light upon some points and cleared the political and economic atmosphere of much misconception with reference to the business of the banks.

The Bank of Montreal and the Bank of Canada, which were both doing business at Quebec, had also established agencies at Kingston, but I shall consider these in connection with the first actually established banks in Upper Canada, in the fifth and concluding paper.

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POST OFFICE SAVINGS BANKS

THE "Savings Bank" is a modern institution, and at the inception of the idea those who were promoters of it seem to have had intentions entirely of a philanthropic character—to prevent the waste or loss of small unconsidered trifles in the way of money by the poor—to teach them the power these had of accumulation—therefore to inculcate habits of thrift and self-help and consequently greater independence. These benevolent promoters could have had no perception of the extent to which their idea would develop—that they were introducing another element into the economics of the community—the collection into a very powerful aggregate of the infinitesimal surpluses of the poor.

Towards the close of last century the wish to help the poor to save something out of their earnings, however small that something might be, had occurred to more than one, but the attempts to carry the wish into effect were of a sporadic and private character—necessarily small and feeble. The first mention we find of anything of the kind is the proposal of a clergyman of Bucks, England, (let his name be preserved—it was J. Smith), who offered to receive, along with two other trustees, deposits as low as two pence, and if the money was not disturbed for a year to add one-third to the sum. This was, of course, benevolence, not business.

A Mrs. Priscilla Wakefield also formed at Tottenham about 1804 a club or association for the care of small savings, and this society, under modifications as to its working, actually lasted until 1866, when it merged itself in the Post Office Savings Bank.

The Rev. Dr. Duncan, of Dumfries, Scotland, in 1810

suggested a system applicable to any community such as a parish, and put his idea into practical operation in the parish of Ruthwell, and also wrote and published "An Essay on the Nature and Advantages of Parish Banks," which remains to this day in many respects an admirable statement. The scheme was apparently well considered and suitable for the times, for it had comparatively rapid success. As many as 78 of these Parish Banks, afterwards called Savings Banks, came into existence in Scotland and England within a few years. His plan was sufficiently simple both as to the reception and investment of moneys, as the deposits were received once a week by Trustees acting gratuitously, and by them invested in deposit receipts of the Bank of Scotland—one of the Trustees ex-officio being the agent for the time being of the Bank of Scotland. Dr. Duncan has been called "The Father of Savings Banks," but when the constitution of the "Parish Bank Friendly Society of Ruthwell" is considered, one may be permitted to surmise that a shrewd bank manager, anxious to "cultivate deposits," may have had something to do with the scheme, perceiving, as we may suppose, that the bank could not conveniently deal with each of these very small depositors, but might deal with them in combination.

Dr. Duncan's plan was not free from the taint of charity, as he called for an "auxiliary fund" from the richer members of the community, not only to defray the small expenses of his society, but to enlarge the return to depositors by giving "premiums" on a certain class of deposits evidencing a persistent habit of saving. We say the "*taint*" of charity advisedly, for experience has shown that the poor who are independent-minded enough to wish to save, and thereby protect themselves so far as may be done, desire to be treated as other people are, in a business-like way. Their pride of independence, the strengthening idea of self-help, is fostered by the thought of the balance at their credit being all their own making—the surplus from their earnings and what that surplus has fairly produced, and it appears as if any scheme to be permanently successful must rest upon a purely business basis. However, as has been said, these Parish Savings Banks made their mark,

and suggested and opened wide the way for larger and broader based organizations, viz :—

THE TRUSTEE SAVING BANKS

The forerunners of these were institutions at Edinburgh, Bath and Southampton—the last under the Presidency of the Right Hon. Geo. Rose, whose pamphlet, "Observations on Banks for Savings" (3rd edition, 1816), is an interesting part of the literature of the subject.

In 1817, in England and Ireland, the institution of Savings Banks was brought under Government regulation by Act 57, Geo. III, chap. 52. For some reason—perhaps because it was thought the Scotch could take better care of themselves—the first Act as regards these institutions in Scotland was not passed until two years later. The general plan of these Savings Banks was that affairs were supervised by three trustees—naturally men of position and trust in the community—acting gratuitously, the only paid official being the person who kept the accounts. Moneys received were all transmitted to the Bank of England in account with "the Commissioners for the reduction of the National Debt," that is, they were invested in consols in the name of the trustees. Later (1860) an Act authorized the National Debt Commissioners to invest the money received by them from Savings Banks in any stock, debenture or other security that had received Parliamentary sanction as proper for trust investments. Various Acts passed with regard to these institutions in England and Ireland were consolidated in 1828 (provisions extended to Scotland in 1835).

By this Act the rules drawn up by the Trustees and Managers of a proposed Savings Bank had to be submitted to a barrister appointed by the National Debt Commissioners and approved by him, before business operations were commenced. Justices of the Peace had also certain powers of veto, and a certified copy of the rules as approved had to be deposited with the Clerk of the Peace of the locality.

The number and the business of these Savings Banks increased beyond all expectation. These institutions in England (including Wales) and Ireland had accumulated by 1841 as much as £22,000,000. For Scotland returns are not

available, but there also continued development has been going on, especially after 1835, when the English law was extended to Scotland, and a writer in 1883 says, "In many places such institutions exist and are flourishing under the meagre and defective statute of 1819."

The Savings Bank organizations proved attractive to a class for whom they were not designed, viz., better-to-do people, and in 1824 it was found advisable to limit the amount any one person might have on deposit, which was placed at a total of £200. At all events, no interest was allowed on any balance beyond that sum, and not more than £50 could be deposited the first year. By the act of 1828 the amount was limited to £150 or £200, including accumulations of interest, exception being made in favor of friendly or charitable societies, for whom the amount might go to £300. It may be noted here that similar but more rigidly repressive rules have been found necessary in the Post Office institutions in Great Britain, but similar regulations in Canada, after being adopted, have, unfortunately, been relaxed.

In 1833, the granting of small deferred annuities was placed within the business of these Trustees' Savings Banks, and this has been continued and improved upon in the regulations of the Imperial Post Office Savings Bank.

In 1844, a new act altered and elaborated the regulations for these Savings Banks, and there was further legislation in 1848, '53, '60, '63, '66, '69 and '80. In some of the later acts the Trustee Savings Banks are dealt with along with the Post Office Savings Bank—that of '63 making arrangements for the transfer of all the affairs of any Trustee Savings Bank to the organized Post Office Savings Bank.

The growth of these Trustee Savings Banks is certainly remarkable, and the good they must have done enormous. If we take the year 1863, when they had about reached their apogee, for they have since been overshadowed by the Post Office Savings Bank, which has indeed swallowed numbers of them, we find they were in the United Kingdom about 640 in number (638 in 1860), and that they had on their books £43,278,656, belonging to 1,555,089 individual depositors and charitable institutions or friendly societies, giving an average of

£28 to each depositor. In the figures from which these are drawn it is stated that there were as many as 28,334 deposits of societies of the above mentioned charitable or "friendly" character, having deposits of about £100 each on an average. If many of these, as is probable, were of the nature of the "Parish Bank Friendly Society of Ruthwell," previously mentioned, we have many banks within banks in this statement.

However, successful as these organizations were in the main, it was felt there were some defects in their constitution—that they were somewhat above the really poor classes, and that from the nature of their organization they were not attractive to many who would have liked otherwise to make use of their advantages. The suspicious secretiveness of the servitor, or tenant class, and of the poor generally, is well known. Many a Bank manager has been amused to discover that, however creditably any servant of his might be saving, the deposits were *not* made in the master's office. And one can well understand that the tenant farmer was not by any means desirous that his landlord or his landlord's representative, in all probability one of the trustees of the Savings Bank, should be aware that he was making so much money out of the land as to lay by some after paying the rent—it might suggest an increase at next leasing time. Along with considerations such as these about this time (in the later 50's) there came to light several grave cases of dishonest accounting in these Savings Banks—rendered possible probably by the perfunctory supervision of the unpaid trustees—and there arose a discussion as to a Government Savings Bank, pure and simple, to be worked in connection with the Money Order branch of the Post Office system. The idea was not a new one. As early as 1806 a suggestion of something of the kind had been made by Mr. Whitbread, M.P. It had been repeated now and again, but not in any concrete form, and it remained for a gentleman connected with one of the large banking institutions of the country to advocate it in such a way as to evoke prompt attention and action. This was Mr. Sikes, of the Huddersfield Banking Company, who in 1859 read a paper on the subject before the Congress of Social Science at Bradford, and his suggestions were so business-like and clear in detail as to commend themselves to the Postmaster-General of the day

(Lord Stanley of Alderley), who took the matter up; and by an act in 1861 there was organized in England

THE POST OFFICE SAVINGS BANK

This institution began operations September 16th, 1861, and its success was immediate and phenomenal. Its offices and system seemed to fill a place, as has been indicated, not occupied by even the Trustee Savings Banks. They drew in smaller depositors, as well as those who patronized the Trustee concerns, and the secrecy of its accounts was also an attractive feature. The two systems ran together for some time, and while the figures of the Post Office Savings Bank increased by leaps and bounds, those of the Trustee Banks also increased in a moderate degree after a large fall from the figures of 1863, caused, no doubt, by the financial collapse at that time (the "Overend-Gurney" failure). Many Trustee Savings Banks turned over their business to the Post Office, and that process has been going on ever since. As we read in the Report of the Duke of Norfolk, Postmaster-General, dated August, 1896:

"The transfer of money from the Trustee Savings Banks to the Post Office Savings Bank continues; the amount so transferred in 1895 being £174,428. During the early part of the present year, several large Trustee Savings Banks have been closed, including the St. Martin's Place Provident Institution, from which no less a sum than £773,000 was transferred to my care."

From returns to 20th November, 1895, it appears there were then remaining 245 Trustee Savings Banks in business, having deposits amounting to £45,312,681, with special stock investments of £1,266,189 belonging to 1,516,229 depositors.

The general plan of employing the machinery of the Post Office for the collection of small deposits was, as has been said, suggested by a banker, Mr. Sikes, but the elaboration of the working details was entrusted to two of the higher officials of the Post Office, whose names deserve to be mentioned for the excellent work they did—Messrs. George Chetwynd and F. I. Scudamore, whose voluminous report on the "Origin and Progress of the System of Post Office Savings Banks" (1871), is an interesting and valuable work. The expansion of the

business of this department in the United Kingdom has been so enormous as to have been and to remain a positive embarrassment to the Government.

Organized in September, 1861, by December 31st, 1864, the amount due to the depositors was £4,993,124; in 1874 it had risen to £23,157,468; in 1884, £44,773,773; in 1894, to £89,266,066, and the last report gives us the following figures of the business of this department of the Home Government, as at December 31st, 1895:

Number of Post Office Savings Banks.....	11,518
Number of deposits received during year	11,384,977
Amount of deposits received during year	£32,078,660
Average amount of each deposit	£2 16s. 4d.
Number of withdrawals during year	4,102,059
Amount of withdrawals " "	£25,698,295
Average amount of each withdrawal	£6 5s. 3d.
Expense of management, including £23,888 for land purchased and new buildings	£ 414,625
Rate per cent. of expense as above to total amount at depositors' credit.....	8s. 5½d. %
Number of accounts opened during year	1,153,236
Number of accounts closed during year.....	808,402
Number of accounts remaining open at close of year.....	6,453,597
Amount, inclusive of interest standing, at credit of depositors at close of year.....	£97,868,975
Average for an account	£15 3s. 4d.

Up to the limits prescribed any sum from one shilling upwards (odd pence excluded) may be deposited, but interest ($2\frac{1}{2}$ %) is allowed only on complete pounds. No individual may deposit more than £50 in any one year, nor to a larger total than £200, including interest, but a charitable or provident society, Penny Bank or similar institution, may deposit in one year up to £100 or £300 as a total. If the account of a depositor goes beyond the limit, no interest is given on the excess, but when that amounts to £5 or over it is invested in Government stock in the depositor's own name, dividends being collected by the department and credited to their owners' ordinary account. The funds of the Post Office Savings Bank go to the National Debt Commissioners for investment in Government stock "for account of the Post Office Savings Bank Fund." Thus the debt of the country is not increased by the deposits made, as is the case in Canada. By the purchases of consols on account of this fund (with other influences) the price of these securities has appreciated to such a point that it has become a matter of

difficulty to cover the interest allowed and expenses. The department was kept a little better than self-supporting until the past year. Of course it was not the object of the institution to make a *profit*, but the Government has no intention of allowing it to cause a *loss* to the country in general. The margin to the good on the enormous business we have given particulars of (1896) was only £16,983, and a deficiency is established for 1896. On 26th February, 1897, during a discussion of certain supplementary estimates, on a vote of £30,151 to make up Post Office Savings Bank and Friendly Societies' deficiencies, the Chancellor of the Exchequer said :

"This was the first time it had been necessary to ask Parliament to subsidize the Post Office Savings Banks, and it clearly amounted to this: That the Government was paying depositors in those banks a higher rate of interest for their money than that money could really earn. *That was not a thing which could continue.* He did not believe that depositors themselves would desire to receive from the State what he must call a kind of charity. He admitted that these banks were of the greatest value to the community, but it was not necessary to their value that they should pay more interest than they could earn. When he was asked whether he could suggest an extension of the limits at present imposed on investments, he was bound to say that he saw great difficulties in the matter. It must be remembered that the State was liable for this money, and it would be a dangerous thing for the State to receive this enormous sum from depositors to whom it was actually liable, and then invest the money in securities of a more or less speculative nature on which great losses might be suffered."

The intention of the Government was plainly indicated, that if the present high price of Government securities continued the rate in the Post Office Savings Bank would be reduced to 2%. In 1861, 2½% was a low rate, but it has become more than the Government can now pay.

In France, which country follows the English system of investing Post Office deposits in Government stock, the rate was 3% until 1893, when it was promptly reduced to 2¾, because a new issue of Rentes having been made at a lower rate of interest than formerly (3¼% instead of 4%), the operations of the Postal Savings Banks showed a loss of about 340,000 francs, say \$70,000, for 1892. One almost shrinks from mentioning these

particulars when it is remembered how long our own country has placidly gone on paying an unduly high rate for the deposits made with it in our two systems of Government Savings Banks, equivalent, as we shall see later, to a loss for the past year of about \$235,000.

To revert to the internal system of the British Post Office Savings Banks, savings of very small sums are encouraged by the issue of a form on which may be affixed penny stamps until one shilling is reached, when an account may be opened with the Post Office, or, as an alternative, the formation of Penny Savings Banks in schools and elsewhere is also suggested, and this is encouraged by the Education Board. Out of nearly 20,000 elementary schools in England and Wales, 8,668 had Penny Banks in 1895. The report of the Scotch Education Department merely states that Savings Banks had been established in 156 schools. It is very notable that Scotland has never used the Governmental machinery for savings to anything like the extent of the other parts of the United Kingdom. The Scotch seem to be content with—to prefer, in fact—their own banks, whether of a General or “Savings” character. A very erroneous idea of the Scotch character and their position as regards capital would be formed if the Post Office returns were accepted as the only indication. Oddly enough, too, the average balance, compared with the proportion of population, shows that the Scotch are, unconsciously perhaps, carrying out correct principles, for it is evidently only the *very* poor, and presumably ignorant, who shield themselves with Government institutions.

The division is as follows, 31st December, 1893 :

	Number of Depositors	Proportion to Population	Average Balance Due to Each Depositor
England and Wales	5,292,178	1 in 6	£14 os. 8d.
Scotland	220,117	1 in 19	£8 19s. 11d.
Ireland	235,944	1 in 20	£18 7s. 11s.

We cannot find at present what share Scotland has in the returns we have mentioned of the remaining Trustee Savings Banks, but we know that there are very large institutions in Scotland of that character, notably the Glasgow Savings Bank, which alone we believe has about £6,000,000 stg. of deposits ;

and of course, as every one knows, the "Scotch Banks"—speaking of those doing all branches of banking business—have systems which attract all classes of depositors.

The Savings Branch of the British Post Office Department has also undertaken the management of Immediate and Deferred Annuities from £1 up to £100, and of life insurances from £5 to £100, but the growth of business in these branches has not been remarkable, especially as regards the deferred annuities, sometimes called "Old Age pay." The present Postmaster-General (Duke of Norfolk), in his last report, is constrained to remark regretfully, "The figures seem to show that deferred annuities are still unpopular, and that this unpopularity is unaffected by appeals to provide in this way for old age."

POST OFFICE SAVINGS BANKS IN OTHER COUNTRIES

The lead of England in the establishment of this new kind of Government Savings Banks has been extensively followed. The following tabular statement (the latest procurable of this kind), which gives the date of institution in each country, with the more important particulars of the business done, will be of interest :

POST OFFICE SAVINGS BANKS DURING YEAR 1892

Country Year beginning open	Deposits			Withdrawals			Accounts			Amount due to Depositors		Proportion to 1,000 Population			
	Number	Amount £	Average Amount £ s. d.	Number	Amount £	Average Amount £ s. d.	Opened	Closed	Open at end of Year	At end of Year £	Average Amount due per Ac. £ s. d.	1892	1892	1892	1892
Austria. 1883...	4,917	1,432,644	2,81,875	1 15 6	513,469	2,201,325	4 5 9	159,314	93,783	913,447	2,933,522	3 4 4	2,933,522	3 4 4	2,933,522
Belgium. 1870...	785	1,593,939	6,810,122	4 5 5	482,517	6,462,973	13 7 10	156,406	86,333	864,290	13,509,582	12 7 7	13,509,582	12 7 7	13,509,582
France. 1882...	7,091	2,499,359	15,323,524	6 8 2	1,082,296	11,780,978	10 17 8	486,737	246,808	1,073,693	24,651,537	12 9 2	24,651,537	12 9 2	24,651,537
Hungary. 1886...	3,895	526,532	758,173	1 8 9	194,832	613,132	3 3 7	75,591	52,021	211,330	741,814	3 10 2	741,814	3 10 2	741,814
Italy.† 1876...	4,594	2,196,095	8,457,178	3 17 0	1,445,984	8,047,461	5 11 3	329,263	143,229	2,312,323	13,347,359	5 15 5	13,347,359	5 15 5	13,347,359
Sweden. 1884...	2,038	316,972	426,120	1 6 10	72,662	280,320	3 17 1	45,417	16,658	300,299	1,077,810	3 11 9	1,077,810	3 11 9	1,077,810
The Netherlands. 1881...	1,235	617,835	1,280,815	2 1 6	230,538	1,039,383	4 10 1	61,257	21,880	358,483	2,296,842	6 8 0	2,296,842	6 8 0	2,296,842
The United Kingdom. 1861...	10,519	9,478,339	22,845,031	2 8 2	3,335,068	20,346,217	6 2 0	1,036,622	702,791	5,452,316	75,854,079	13 18 3	75,854,079	13 18 3	75,854,079
British Guiana.	—	5,536	12,493	2 4 11	3,443	9,868	2 17 3	1,359	776	2,255	12,028	5 6 8	12,028	5 6 8	12,028
Canada. 1863...	673	148,868	1,541,777	10 7 1	73,361	1,326,315	18 1 7	29,502	26,032	114,275	4,830,638	42 5 5	4,830,638	42 5 5	4,830,638
Cape of Good Hope.† 1884...	197	68,047	84,971	12 9 6	23,808	67,882	28 10 3	9,880	5,805	31,386	879,975	28 0 9	879,975	28 0 9	879,975
New South Wales. 1871...	450	278,578	1,650,197	5 17 0	156,157	1,511,355	9 13 7	39,721	32,573	101,668	2,354,086	23 3 1	2,354,086	23 3 1	2,354,086
New Zealand. 1867...	320	186,945	1,878,270	10 0 11	120,628	1,821,348	15 2 0	26,232	18,171	112,588	2,863,670	25 9 0	2,863,670	25 9 0	2,863,670
Queensland...	123	95,064	865,879	9 2 2	58,608	878,804	14 19 10	15,762	14,928	47,093	1,708,393	30 5 6	1,708,393	30 5 6	1,708,393
South Australia.	134	157,187	1,372,215	8 14 7	116,836	1,349,366	11 10 11	9,388	6,638	81,547	2,326,730	28 10 8	2,326,730	28 10 8	2,326,730
Tasmania. 1882...	127	119,200	78,863	6 12 3	6,813	79,363	11 12 11	2,252	2,167	4,738	83,522	17 11 9	83,522	17 11 9	83,522
Victoria.† 1869...	370	197,753	1,269,276	6 8 4	120,889	1,255,401	10 7 8	23,820	22,469	107,672	2,083,202	19 6 11	2,083,202	19 6 11	2,083,202

• In addition to 785 Post Offices the Bank has other agencies. † For year ended 31st December, 1891. ‡ For year ended 30th June, 1893.

§ For year ended 30th June, 1892.

We are not informed of any peculiarity in the system pursued in each country, except that we may mention in Belgium the Post Office Savings Bank is made a part of the "General Savings Bank" (National), the business of which is transacted at 785 post offices, as well as at the Bank of Belgium and various agencies. The Bank of Belgium is purely a "Government Bank," issuing paper money and exercising other functions in the monetary business of the Government, as well as doing an ordinary commercial business. That there may be wide divergence of opinion among near-by people upon economic questions is shown by the refusal of the Swiss to adopt such a system, and the message of the Federal Council to the National Assembly in October, 1894, uses arguments which are well worthy of repetition. The discussion is on a proposal of just such a system as the Belgian, i. e., the Post Office Savings Bank in connection with the National Bank; and they do not seem to condemn positively such a system as the British, but their arguments are forcible as against the Government doing any part of the business of banking, and they have strong interest for us in Canada, where, as we shall see, the position in regard to the funds and the responsibilities of the Post Office and Government Savings Banks is easily impeachable, much resembling the Belgian, if, indeed, it is not more objectionable.

From *L'Union Postale*: Journal publié par Le Bureau International de L'Union Postale Universelle Année, 1894, 19e Volume :

SWISS OPINION

"In the message of the Swiss Federal Council to the National Assembly, dated 23rd October, 1894, which has just been published, relative to the issue of a Federal law on the execution of Clause 39 of the Federal Constitution (Bank-note Monopoly), the Federal Council has arrived at a decision in its judgment of the question: Whether the Confederation shall allow the right of issuing bank-notes or other similar paper money, which right, according to the above-mentioned clause, it enjoys exclusively, to be exercised by a *National Bank* having a separate adminis-

"tration, or intrust it to a Central Joint Stock Bank, which shall
"be founded with the co-operation and be under the supervision
"of the Confederation, the latter reserving the power of redeem-
"ing its rights. It has decided in favor of the *first* proposition by
"drawing up the draft of a Federal law to that effect. At the
"same time, the Federal Council is *not* of the opinion that the
"*Post Office Savings Banks* shall be introduced in connection
"with this new National Bank. The above-mentioned message
"expresses itself on the matter to the following effect":

"The acceptance of Savings Bank deposits is, in times of financial crisis, when everyone hastens to withdraw his small savings, a source of continual danger to the respective institutions. How much greater and more momentous, therefore, would it be for a Federal Bank, at which the demand for the withdrawal of millions of such deposits might be presented at one time. From this point of view alone we prefer to leave Savings Bank business to cantonal and private institutions, where the risk, divided among the many, is so much less.

"Besides, under the, for the most part, free direction and administration of private companies and the co-operation of cantonal institutions, our Savings Bank business has made such gratifying progress that, quite apart from the above-mentioned danger, we could scarcely decide to enter into competition in this department. We are also of opinion that this branch of business is in every way less suitable for a National Bank.

"The Savings Bank deposit is no longer, as was formerly the case, a fixed deposit where francs accumulate and the interest is added annually to the capital. The times are long past when the deposits were only entitled to interest at the end of three months, and depositors could be deterred from withdrawing their money by fear of the deduction of interest, as provided by the statutes. The Savings Banks are compelled by the loan and similar institutions, which are being opened everywhere, to adapt themselves to more modern views in relation to money matters. The Savings Bank depositor of to-day demands and receives, over and above an interest of from $3\frac{1}{2}$ to $3\frac{3}{4}\%$, a certain liberty in the disposal of his capital. The deposit books have in many places become pretty much the account current books of the less-moneyed classes.

"If the National Bank wished to cultivate this branch of business, it could scarcely do otherwise than treat the Savings Bank deposits as liabilities, with short terms of expiration, increase to a corresponding extent its reserves of coin, and fix the

rate of interest accordingly, by which, however, the depositor would evidently not be profited, since he would get higher interest elsewhere.

"What is here required is that legal measure should be taken for the security of depositors in Savings Banks by providing for pledges in the hands of third persons, as is now done voluntarily by several institutions.

"There exist, moreover, reciprocal relations between the Savings Banks in their present organization and the mortgage-credit of the lower classes, the peasants and smaller tradesmen. The private Savings Banks prefer to invest as much as possible of the money deposited with them near home, where they have the debtor, the mortgages and their management and maintenance constantly under their eyes. Many a thoroughly honest man would present his mortgage, the adequacy of which is not apparent from the first glance at the title deeds themselves, at the National Bank, or even at the nearest Cantonal Bank in vain, who could be assisted without any difficulty by the Savings Bank of his parish or district.

"We do not at all mean by the above that the Federal Council declines to have anything to do with the question of the *Post Office Savings Bank*, as long as efforts are directed, in the first place, to the employment of our postal organizations for the *facilitation of depositing*. The Post Office Savings Banks are the subject of special consideration in the Federal Council, but so much seems to us at present clear, that, according to the above discussion on Savings Banks in general, the National Bank cannot accept the position of a debtor to Savings Bank depositors.

"The circumstances and motives thus expounded are sufficient explanation for the fact that the Swiss Postal Administration declined, and was compelled to decline, the numerous demands coming from various quarters for the establishment of a National Post Office Savings Bank in Switzerland."

"PEOPLE'S BANKS"

This message of the Swiss Federal Council refers to the "gratifying progress" of the country's Savings Bank business "under the free direction and administration of private companies and the co-operation of cantonal institutions." A large part of the Swiss Savings Banks are of a *co-operative* character, and would come under the same category as the "People's Banks" of Germany and Italy. It would be impossible here to

give any lengthy description of these institutions, which have moreover been written of already in this JOURNAL (July, 1896). Briefly, however, the reader may be reminded that, beginning about 1850 in Germany, they have spread to surrounding countries and made wonderful headway—in Germany and Italy especially. They are of two systems, and the distinction may be crystallized into the remark that one class, the Schulze-Delitzsch, means co-operation for the purpose of *lending*; the other, the Raiffeisen, co-operation for the purpose of *borrowing*. The former strikes one as being scarcely pure co-operation, but more as an ordinary trading or business bank adjusted to the poorer classes. The second, however, the Raiffeisen, embodies a very attractive idea, and it is pleasing indeed to be assured that it has succeeded so wonderfully. Both classes of banks borrow extensively from the larger or “regular” banks, and among a mass of figures of total transactions, etc., which the writer of “People’s Banks” gives us very loosely, we do not find to what extent the savings of the poor have gone into these institutions; but that they have become the depositories of small savings to an enormous extent is beyond doubt. It is notable that such an economical, thrifty nation as the German has no Government savings organization—postal or otherwise. Of course the *Empire* of Germany has not been such long, and by the time of its consolidation (1870) these People’s Banks had spread. It is curious to note the divergency in method in different countries. In Great Britain all the efforts seem to have been to find a safe place for the poor man’s mite—to withdraw it from the risks of business—and what is probably an admirable system has been evolved of gathering in and keeping the savings of the poor; but the German idea goes further than the *collection* of the savings, and attends to the *redistribution* of them among the class from which they came, the depositor taking his chances with and *on* the community he lives in. Perhaps theirs is the wiser idea. But at all events, that can only have a speculative interest for us in Canada, as neither system of the People’s Banks would be at all suitable to the conditions of our country. We have not, in the first place, the classes of people to whom these banks have best ministered; the Schulze is not

needed, and the Raiffeisen would be unworkable in a scattered and mobile population. Besides, the British plan is with us already, and in the vernacular, doubtless has "come to stay."

The purpose of this article, in the first place, was to put forward a few facts and figures regarding the system of Post Office Savings Banks more particularly in our own land, but before going on to discuss the Canadian position, it may be of interest to remark that at present

IN THE UNITED STATES

the subject of the institution of Postal Savings Banks is coming in for considerable discussion—not by any means for the first time, but more urgently of late, no doubt on account of the general unsatisfactoriness of financial conditions in that country. But, to the eye of experience and knowledge, there are grave, probably insuperable, difficulties in the way of any such undertaking by the Government.

In the first place, the system requires a most exacting routine, and the carrying out of such over so wide-spread a territory, where, in many districts, the genius of the people, it is to be feared, is against an exact routine, would be enough to "give pause" to any one who was going to be in any way, or in any degree, connected with it. But beyond that there is a far more important question, "What will the Government do with, and how will they invest and keep safely invested, the many millions of dollars which must come into their hands through a Postal Savings Bank law?" That is the point as put by the president of the Savings Banks Association of the State of New York, at their recent meeting, May 21st, 1897, which, he states, has "never been intelligently and satisfactorily answered," and which is, he asserts, "at the present time practically unanswerable." So keen an economist as Edward Atkinson, at the same meeting, dismissed the suggestion as "wholly impracticable." It is admitted that the British system of investment could not be followed, as the public debt of the United States is already absorbed, and could not be repurchased for the purposes of security for the Postal Savings Bank Fund, which would soon

doubtless amount to as much as, if not more than, the whole of the national debt, at present, roughly speaking, \$800,000,000. That this would be the case we may readily suppose from the figures of Savings Bank business in the United States, which we extract from the Report of Comptroller of the Currency for 1896.

The number of Savings Banks reported is 988, of which 677 are "mutual" institutions, 311 Stock Savings Banks. The former are the more attractive organizations, for they hold 86% of the total resources of the banks reporting. The business is much centralized, for, with the exception of four in Ohio, five in Indiana, one in Wisconsin, and one in West Virginia, the Mutual Savings Banks are confined to the New England and Eastern States, which appear to have a monopoly, too, of the stock banks. And again, the business belongs to New York and Massachusetts to an extraordinary degree, for of the 5,065,494 depositors, 1,695,787 are in New York State, and 1,302,479 in Massachusetts, which figures make the astonishing assertion as regards the latter State that 50.01 of the population—every second person, man, woman or child—is a Savings Bank depositor.

The total deposits are \$1,907,156,277, of which the Mutual institutions hold \$1,688,190,603, and they appear to have additional deposits amounting to \$28,309,197, which are not classed as savings deposits accounts—presumably ordinary business accounts not receiving interest. It is interesting to be told that balances of \$500 and under comprise 97.56 per cent. of the whole in number, and 70.05 per cent. of the total amount.

"Information with respect to the rate of interest paid by Savings Banks is but partial, but it is noticed that from the returns it is exceedingly difficult to maintain the rate of interest which has been paid during the past few years, and indications are that a reduction in the rate is inevitable in the near future. The latest returns indicate that the average rate paid is a fraction less than four per cent."

What an enormous amount of money would be poured into the hands of the Government if Postal or other Government Savings Banks were established, it is easy to imagine, not only from the figures given above of amounts entrusted to the care of local privately-organized concerns, but also because we see that

the West and South in this department of economics is a barren waste. In only a few States of the Union has there been legislation looking to the guidance and protection of the small depositor, that is to say, are there any Savings Bank laws? Mr. Wanamaker, Postmaster General of the time, in an official paper under date of February 26th, 1891, writes strongly advocating the establishment of Postal Savings Banks, at least, his advocacy is strong in intention, but very weak in suggestion. He admits the impossibility of investment in the public debt as it stands, and he makes the following suggestions:—

“I have already recommended a plan which I believe to be feasible, and it contemplates the establishment of Postal Savings Banks; first, in States which have no laws governing private Savings Banks; and, second, upon suitable petition of a considerable number of the residents of any locality in any other States.

“While the experience of several foreign countries has shown that private Savings Banks are not antagonized by similar Government institutions, the plan I propose removes objection on that score, by providing that the rate of interest shall be at least one-half of one per cent. less than the average rate paid within a State by bankers to depositors.

“I have recommended that all the Postal Savings funds received within a State be placed on deposit with the National Banks of that State, in such amounts and at such rates of interest as the Secretary of the Treasury shall prescribe. There is thus provided a channel for the disposal of the money, which will place it rapidly in circulation in the locality from which it is gathered for original deposit in the Postal Savings Banks, and through which it will unquestionably earn a sufficient sum to pay expenses and a moderate rate of interest to depositors.

“And, finally, I have suggested that deposits of Postal Savings funds shall be declared by special enactment “preferred” against the National Banks holding them. I do not think any better security offers itself in the present state of the country, and I believe it will be adequate.

“There are other suggestions which will occur to the thoughtful mind as to channels for placing the funds of depositors. One of them is in the direction of greater and much-needed expenditures for public, and particularly post office buildings. I find that from 1870 to 1890, inclusive, there has been an average expenditure per annum, on account of public buildings, to be used chiefly for custom houses, post offices and court houses, the large sum of \$3,217,253, a total in twenty-one years of

\$67,562,306.86. There could scarcely be conceived a better investment for the public funds than to place them in such Government real estate, which, by the very act of its acquirement by the United States, would become of enhanced value and continue to increase in value year by year. It would, moreover, give to the people that conception of security which always surrounds investments in real property. There is not only the outlet in the way of ordinary expenditures to be taken into account, but there are further large needs of the country at this time to be considered, particularly in the direction of additional accommodations for post offices in numerous towns and cities."

The last suggestion is so singularly weak, exhibiting complete absence of perception of the principles that should govern this business, that we cannot understand how it came to be advanced. The plan of redepositing the money in the National Banks *may* come within the bounds of discussion, but there are many and grave objections visible. We in Canada have grown arrogant enough of late years to think such a scheme might be workable here, but not in the United States; and even here it would be a ticklish scheme to handle. As has been said, those best able to judge assert that the question as to the disposal of the funds which would be received by Postal Savings Banks in the United States "remains unanswered." We can understand how well-wishers of the people desire to see at least one of the incentives to the habit of saving provided for the scattered populations of the West and South in the establishment of safe and sure depositories, but no scheme, practicable in experienced opinion, for the Government undertaking such a duty has yet been advanced.

THE POSITION IN CANADA,

considering all the circumstances, is, in some respects, one on which we have reason to congratulate ourselves, but that should all the more cause endeavors to eliminate and minimize the faults and dangers that exist.

If we go back "before Confederation" we find considerable legislation in the various provinces on the subject of Savings Banks, and it would be impossible to set out fully, in this paper, the old systems and developments. Perhaps the simplest way

of indicating these will be to show the position as the Dominion Government found it when they laid down their policy on the subject in 1871. In 1867, immediately after Confederation—impelled thereto in some degree, probably, by bank troubles of the time (failure of Bank of Upper Canada)—the new Dominion Government established *Post Office Savings Banks*, limiting their operation at that time to Ontario and Quebec, and it was not until 1871 that they felt prepared to legislate further on savings institutions (except by short temporary acts extending from year to year the working of the institutions then existing). In that year, however, “An Act to provide additional facilities for depositing savings at interest, with the security of the Government, and for the issue and redemption of Dominion notes” (34 Vic., c. 6); and “An Act respecting certain Savings Banks in the provinces of Ontario and Quebec” (34 Vic., c. 7) were introduced; and Sir Francis Hincks, Finance Minister, in moving the House into Committee to consider the resolutions regarding these Bills, said:—

“He would endeavor, as briefly as possible, to place before the House the position of the Government on the question. There had been an old Act of the Province of Canada with regard to Savings Banks, regulating the mode in which these institutions should be conducted, which expired at the end of last session, but was then renewed until the end of the present session. It then became absolutely necessary for the Government to consider the whole question as to the best mode of regulating these banks, and of making proper provision as to the manner of receiving deposits. On examining into the matter it was found that in all the Dominion there was but one Savings Bank conducted strictly as a Government Savings Bank, and which invested all its deposits in Government securities, and that bank was in Nova Scotia. In the province of New Brunswick there was a system under which a number of collectors of Customs were agents for the Government in the management of local Savings Banks, very much on the same principle as the Post Office system in Ontario and Quebec; that is, receiving the deposits and paying them over to the Receiver-General, but in the city of St. John there was an institution managed by trustees, and therefore not strictly a Government Savings Bank, but which invested all its moneys in Government securities. With reference to Quebec and Ontario, a law was passed very soon after the union of the two provinces

which established a system under which certain Savings Banks had been and were now conducted. Those banks numbered five*—three in Quebec and two in Ontario. Another law was subsequently passed prohibiting the organization of any new banks, but not interfering with existing institutions. There were also in Ontario certain Building Societies, which were allowed to receive deposits on certain conditions prescribed by law, and with these it was not the intention of the Government to interfere beyond making stricter provisions as to returns and particulars of transactions. Then there was the system of Post Office Savings Banks, which had been in operation for a considerable time, and had been attended with great success, but this system had never been extended beyond Ontario and Quebec. The amount held on deposit by the Post Office Savings Banks was \$3,352,205, and of that amount \$293,717 only had been deposited in Quebec, and the remainder, \$3,059,488, in Ontario; and it would therefore be seen that the Post Office Savings Bank system had been almost entirely confined to Ontario, the province of Quebec having peculiar institutions of its own. He desired most particularly to state that, endeavoring to put the Savings Banks on a different footing, he had no reason whatever to doubt that the institutions in Quebec had been managed most creditably, and the Government, in considering the question and submitting the resolutions, was actuated by no want of confidence in those institutions, but by the belief that the principle on which they were based was wrong in theory, although hitherto it might have worked well in practice. There were also in Ontario two small Savings Banks, conducted on the same principle as those in Quebec, but which were comparatively unimportant. These banks had absorbed the great bulk of the savings in Quebec, while in Ontario the bulk had been absorbed by the Post Office Savings Banks, and the remainder by the Building Societies. The Government proposed, as far as Nova Scotia was concerned, to make no change whatever, but

* The five Savings Banks referred to in Sir F. Hincks' speech were two in Ontario (under Act of 1841); the Northumberland and Durham Savings Bank (which wound up about 1872, with an undivided surplus of \$87,669.91); and the Toronto Savings Bank (merged in the Home Savings and Loan Company, 1879); and three in Quebec, the Quebec Provident and Savings Society, La Caisse d'Economie de Notre Dame de Quebec, and the City and District Savings Bank of Montreal—the last two still in operation under special charters. It will be observed there is now, therefore, no law authorizing the organization of Savings Banks, and any new concern in that line would require to get a special charter, if such were obtainable at all. Practically, the Government has created a monopoly for itself of Savings Bank business, except for the two institutions in Quebec province, which apparently were so firmly established as to obtain renewed lease of life under special charters.

simply to develop the system already in operation by letting the Government bank there have branches in the different towns of the province. With regard to New Brunswick, they proposed to put the bank at St. John, which had hitherto been managed by trustees, on the same footing as that at Halifax, placing all the other Savings Banks in the province in the position of subsidiary offices, instructing them to deal with the head bank at St. John in the same way as the Post Office Savings Banks of Quebec and Ontario communicate with the office at Ottawa. Thus, with regard to Nova Scotia and New Brunswick,* the change would simply consist in the development of the system now in operation."

Sir A. T. Galt, among other remarks, said:

"So far, he did not see any great objection to the proposals, except as to the principle of the Government endeavoring to get all the Savings Banks of the country into their hands, which he thought might be carried too far." (Parliamentary Debates, March 7, 1871.)

Briefly this established a system of Government Savings Banks in the provinces of Nova Scotia and New Brunswick having head offices for each province in the respective capitals, with branches in various places throughout each province; also a single Government Savings Bank in the capital of each of the other provinces where there was an Assistant Receiver-General. We have, therefore, in operation two systems of Government Savings Banks; the so named "Government" Savings Banks in the maritime provinces (speaking broadly), under the management of the Finance Department, and the "Post Office" Savings Banks, originally only in Ontario and Quebec, now in all the provinces. The maritime province representatives in 1871 seem to have demanded this difference, their people being in favor of establishments which were banks *per se*, as being more like a continuation of such system as they had had; besides which, mail communication between the maritime provinces and Ottawa was at that time tardy, which would have proved a difficulty in the way of working Postal Banks.

* As early as 1825 in New Brunswick, and 1827 in Nova Scotia, laws were passed establishing systems of Savings Banks, much on the lines of the Trustee Savings Banks of England, but these became later, as referred to in Sir F. Hincks' speech, one regular Government Savings Bank at Halifax and a number of *quasi* Government Savings Offices in New Brunswick.

The Post Office system was extended to the maritime provinces in 1885, and is destined to swallow up the other, for whenever one of the old-time agents of the "Government" Savings Banks is removed by death or retirement, the business is handed over to the Post Office. The amounts in the hands of the Government as at 30th June, 1896, were :

Nova Scotia, 22 offices	\$ 6,811,606 69
New Brunswick, 8 "	6,653,470 23
Prince Edward Island, 2 offices.....	2,169,614 83
Ontario (Toronto)	579,057 65
Manitoba (Winnipeg)	777,330 49
British Columbia (Victoria)	875,309 01
35 offices	<u>\$17,866,388 90</u>

While the figures of the Post Office Savings Banks at the same date were :

Ontario, 456 offices.....	\$19,445,826 08
Quebec, 133 offices	5,042,904 57
Nova Scotia, 49 offices	2,055,382 88
New Brunswick, 38 offices ..	1,515,341 34
Prince Edward Island, 8 offices	19,105 05
Manitoba, 25 offices	210,613 31
N. W. Territories, 22 offices..	138,147 69
British Columbia, 24 offices ..	505,608 76
755 offices	<u>28,932,929 68</u>
A total of	<u>\$46,799,388 90</u>

of the money of the people in the hands of the Government payable practically on demand, without any reserve maintained for repayment, or any special or readily convertible investment of the funds.

We give herewith a progressive statement of the business of the Post Office Savings Banks of Canada, which includes many interesting and suggestive details; also a statement of the total business by the Government in the way of receiving deposits at interest through its two systems, from Confederation:

STATEMENT OF THE BUSINESS OF THE POST OFFICE SAVINGS BANK, CANADA, YEAR BY YEAR,
FROM 1ST APRIL, 1868, TO 30TH JUNE, 1896

PERIOD	Number of Post Office Savings Banks at close of period	Number of deposits received during period	Total amount of deposits received during period	Average amount of each deposit received during period	Amount of depositors' accounts transferred from Dominion Government Savings Bank during period	Number of withdrawals during period	Total amount withdrawn during period
Three months ended 30th June, 1868.....	81	3,247	\$212,597	\$65 44	.....	166	\$8,857 48
Year ended 30th June, 1869.....	213	16,653	927,885	55 71	.....	4,787	206,734 35
Year ended 30th June, 1870.....	226	24,994	1,347,991	53 93	.....	9,478	664,555 51
Year ended 30th June, 1871.....	230	33,256	1,917,576	57 66	.....	15,148	1,093,438 86
Year ended 30th June, 1872.....	235	39,489	2,201,631	57 27	.....	20,154	1,778,505 19
Year ended 30th June, 1873.....	239	44,413	2,306,918	51 94	.....	23,800	2,323,209 32
Year ended 30th June, 1874.....	266	45,329	2,310,284	51 63	.....	25,814	2,468,643 42
Year ended 30th June, 1875.....	268	42,508	1,942,316	45 69	.....	25,954	2,341,979 04
Year ended 30th June, 1876.....	279	38,647	1,726,204	44 66	.....	24,152	2,021,457 97
Year ended 30th June, 1877.....	287	36,126	1,521,000	42 10	.....	22,484	1,726,082 98
Year ended 30th June, 1878.....	295	40,097	1,724,371	43 00	.....	21,944	1,713,058 73
Year ended 30th June, 1879.....	297	43,349	1,973,243	45 52	.....	23,226	1,733,448 79
Year ended 30th June, 1880.....	297	56,031	2,720,216	48 55	.....	26,716	2,015,813 16
Year ended 30th June, 1881.....	304	71,747	4,175,042	58 19	.....	28,510	2,097,389 15
Year ended 30th June, 1882.....	308	97,380	6,435,989	66 09	.....	34,611,619 31	2,097,389 15
Year ended 30th June, 1883.....	330	169,489	6,826,266	62 35	.....	38,859	3,461,619 31
Year ended 30th June, 1884.....	343	199,388	6,441,439	58 88	.....	45,253	4,730,095 39
Year ended 30th June, 1885.....	355	116,576	7,098,459	60 89	.....	50,026	5,649,611 13
Year ended 30th June, 1886.....	392	126,322	7,645,227	60 52	.....	59,714	5,793,031 84
Year ended 30th June, 1887.....	415	143,076	8,272,041	57 81	.....	62,205	6,183,470 60
Year ended 30th June, 1888.....	433	155,978	7,722,330	57 81	.....	65,853	6,626,067 51
Year ended 30th June, 1889.....	463	166,235	7,926,634	49 51	\$217,385 10	78,229	7,814,071 78
Year ended 30th June, 1890.....	494	154,678	6,599,896	47 67	1,085,979 72	84,572	7,532,145 56
Year ended 30th June, 1891.....	634	147,672	6,500,372	42 67	167,501 43	90,151	8,575,041 08
Year ended 30th June, 1892.....	642	145,423	7,956,002	48 52	389,169 28	84,963	7,875,977 57
Year ended 30th June, 1893.....	673	148,868	7,708,888	51 78	.....	77,381	7,230,839 14
Year ended 30th June, 1894.....	669	145,960	7,524,286	51 55	.....	73,361	6,631,578 97
Year ended 30th June, 1895.....	731	143,685	7,488,028	52 11	.....	84,941	7,473,585 46
Year ended 30th June, 1896.....	755	155,398	8,138,947	52 37	.....	85,588	7,310,291 97
Year ended 30th June, 1896.....					493,889 23	87,221	7,406,066 13

Year	Average amount of each withdrawal during period	Number of accounts opened during period	Number of depositors' accounts transferred from Dominion Government Savings Bank during period	Number of accounts closed during period	Number of accounts remaining open at close of period	Total Expenses of Management, including Salaries, Compensation to Postmasters, Inspection, Printing, Stationery, &c.	Average cost of each Transaction, viz.: of each Deposit or Withdrawal	Percentage of Cost of Management to Depositors	Losses sustained	Interest allowed to Depositors	Total amount standing to the credit of all Open Accounts, inclusive of Interest allowed, at close of period.	Average amount standing to credit of each Open Account at close of period
1863...	\$33 35	2,146	...	44	2,102	\$8,389 43	\$0.23 16	0.67	.....	21,094 72	\$204,588 89	897 33
1869...	61 99	6,429	...	1,319	7,212	5,868 14	0.20 76	0.51	.....	48,689 08	856,814 26	130 41
1870...	70 11	7,823	...	2,857	12,178	8,128 12	0.20 76	0.51	.....	1,588,848 83	1,588,848 83	130 41
1871...	72 10	9,424	...	4,449	17,153	11,108 40	0.20 76	0.44	.....	84,273 68	4,497,259 65	145 59
1872...	81 33	10,846	...	6,940	21,059	12,242 34	0.20 76	0.39	.....	116,174 55	3,096,500 01	147 04
1873...	86 01	11,995	...	9,528	23,526	15,093 78	0.22 16	0.47	.....	126,932 88	3,207,051 57	136 32
1874...	86 04	12,048	...	10,606	24,968	14,442 71	0.20 16	0.45	.....	126,273 31	3,204,965 46	128 36
1875...	82 88	10,518	...	11,190	24,594	12,539 59	0.18 16	0.42	.....	120,738 06	2,926,090 48	120 44
1876...	77 11	10,218	...	10,097	24,415	14,662 14	0.23 16	0.53	.....	110,116 08	2,740,952 59	112 27
1877...	70 49	8,071	...	9,312	24,074	15,149 13	0.26 16	0.57	.....	104,067 86	2,659,937 47	109 60
1878...	70 55	10,058	...	8,597	25,535	15,266 08	0.25 16	0.55	.....	103,834 29	2,754,484 03	107 87
1879...	66 07	10,755	...	8,845	27,445	16,100 03	0.24 16	0.51	.....	110,912 56	3,105,190 80	113 14
1880...	69 89	14,407	...	10,487	31,365	19,134 14	0.23 16	0.49	.....	136,075 47	3,945,669 11	125 80
1881...	73 56	18,731	...	10,491	59,165	23,223 99	0.23 16	0.37	.....	184,904 81	9,473,661 53	184 08
1882...	96 53	23,778	...	13,920	51,403	29,245 68	0.21 16	0.31	.....	201,005 07	9,473,661 53	184 08
1883...	104 55	27,127	...	17,531	61,059	31,186 03	0.20 16	0.26	.....	477,305 17	11,976,237 31	196 13
1884...	100 84	26,562	...	20,939	66,682	34,168 95	0.20 16	0.26	.....	477,487 46	13,424,552 64	198 63
1885...	97 01	27,591	...	20,951	73,322	35,721 23	0.20 16	0.24	.....	539,560 51	15,090,540 31	205 81
1886...	99 40	29,103	...	21,555	80,870	41,338 11	0.21 16	0.24	.....	637,075 38	17,159,372 09	212 18
1887...	100 62	31,874	...	22,585	90,159	43,661 25	0.20 16	0.22	.....	692,464 57	19,497,750 15	216 26
1888...	96 05	37,515	723	26,794	101,693	44,348 93	0.19 16	0.21	.....	705,639 15	20,689,032 62	223 44
1889...	89 06	38,049	2,962	29,581	113,123	51,954 46	0.20 16	0.22	.....	819,921 79	23,014,422 57	223 44
1890...	95 12	32,127	1,720	33,499	112,321	51,132 37	0.20 16	0.23	.....	786,875 37	21,990,653 49	195 78
1891...	92 67	29,791	1,121	34,006	111,230	60,103 65	0.25 16	0.27	.....	734,430 89	21,738,648 09	195 44
1892...	93 44	28,943	...	30,368	110,805	57,661 49	0.25 16	0.26	.....	734,590 70	22,398,401 65	201 24
1893...	90 39	29,592	...	26,032	114,275	57,413 24	0.25 16	0.25	.....	777,482 98	24,153,193 66	211 36
1894...	87 98	29,116	662	27,033	117,028	56,611 08	0.24 16	0.23	.....	835,800 34	25,257,568 14	215 84
1895...	85 41	27,998	1,647	26,037	120,628	57,116 82	0.24 16	0.22	.....	876,049 07	26,065,542 47	222 22
1896...	84 91	30,100	1,959	26,245	126,442	58,340 29	0.24 16	0.21	.....	944,524 73	28,935,929 68	228 82

*These losses were the result of frauds committed at Post Offices.

SAVINGS BANK BRANCH, POST OFFICE DEPARTMENT, OTTAWA, JULY, 1896.

DAVID MATHESON, Superintendent.

TOTAL GOVERNMENT SAVINGS BANK BUSINESS, COMBINING THE "GOVERNMENT" AND P.O. SAVINGS BANKS

Year	Deposits	Interest allowed	Withdrawals	Increase or Decrease of Deposits over Withdrawals	Total Balances
	\$ cts	\$ cts	\$ cts	\$ cts	\$ cts
1867-68	505,501 34	67,017 02	306,757 32	+ 265,761 04	1,687,807 90
1868-69	1,251,023 02	90,622 76	578,114 48	+ 763,511 30	2,451,335 20
1869-70	1,810,382 20	125,816 70	976,119 22	+ 960,079 68	3,411,418 88
1870-71	2,474,244 90	172,530 51	1,488,897 38	+ 1,157,878 03	4,569,296 91
1871-72	3,385,337 80	217,009 98	2,920,911 16	+ 681,436 62	5,250,733 53
1872-73	4,749,835 35	220,824 60	4,056,171 52	+ 914,488 43	6,165,221 96
1873-74	5,797,913 98	280,764 33	5,033,639 44	+ 1,045,038 87	7,210,260 83
1874-75	5,512,634 77	298,654 00	5,850,368 40	- 39,079 63	7,171,181 20
1875-76	4,948,876 44	288,688 35	5,364,627 90	- 127,063 11	7,044,118 09
1876-77	5,432,575 72	294,224 25	5,300,287 23	+ 426,152 74	7,470,630 83
1877-78	7,090,729 04	336,050 50	6,400,997 02	+ 1,026,382 52	8,497,013 35
1878-79	6,522,533 26	353,577 84	6,165,441 25	+ 710,669 85	9,207,683 20
1879-80	7,960,411 41	404,803 55	6,519,941 98	+ 1,845,272 92	11,052,956 18
1880-81	10,669,681 76	508,778 66	6,394,744 60	+ 4,783,715 88	15,836,672 00
1881-82	13,526,422 53	703,013 68	8,297,446 52	+ 5,931,939 69	21,768,661 69
1882-83	13,893,656 13	912,692 87	10,355,903 14	+ 4,450,445 86	26,219,107 55
1883-84	13,249,070 97	1,054,139 93	11,304,781 61	+ 2,998,429 29	29,217,536 84
1884-85	14,268,938 60	1,185,267 52	11,692,666 57	+ 3,761,539 55	32,979,076 39
1885-86	15,158,295 74	1,335,620 56	12,299,178 81	+ 4,194,737 49	37,173,813 88
1886-87	14,406,952 41	1,487,569 36	12,236,060 28	+ 3,658,461 49	40,832,275 37
1887-88	11,480,859 02	1,578,987 86	12,521,064 02	- 538,782 86	41,371,058 23
1888-89	12,657,802 14	1,619,221 95	12,691,724 64	+ 1,585,209 45	42,956,357 68
1889-90	9,854,332 93	1,475,292 36	13,273,517 98	- 1,943,892 64	41,012,405 04
1890-91	9,748,075 60	1,348,525 26	12,709,039 74	- 1,612,438 88	39,400,026 16
1891-92	10,211,345 75	1,320,580 00	11,402,404 28	+ 129,521 47	39,529,547 63
1892-93	11,118,981 12	1,365,802 44	10,164,673 17	+ 2,320,110 39	41,849,658 02
1893-94	11,142,915 78	1,437,220 20	11,393,781 68	+ 1,186,354 30	43,036,012 32
1894-95	11,224,195 15	1,470,332 34	11,280,040 96	+ 1,414,486 53	44,450,498 85
1895-96	11,882,307 06	1,542,969 78	11,076,457 11	+ 2,348,819 73	46,799,318 58
	251,935,831 97	23,497,199 16	230,055,759 41	+ 49,099,745 98	
				- 3,722,474 26	
Increase of deposits over withdrawals				45,377,271 72	
Balance, 1st July, 1867				1,422,046 86	
				46,799,318 58	

At this time, June 30th, 1896, there were also the following amounts on deposit *at interest* in Canada :

In Chartered Banks	\$120,835,461
In City & District Savings Bank and La Caisse d'Economie, Quebec	14,459,833
In Loan Societies in Ontario (figures of December 31st, 1895)	19,945,943

	\$154,241,237
Add in Government's hands	46,799,318

\$201,040,555

According to figures procured by Mr. George Johnson, Dominion Statistician, from the chartered banks, almost exactly two-thirds of their "deposits payable after notice or on a fixed day" are in their Savings Departments" so-called (one-third, therefore, in shape of "Deposit Receipts"), but of course we must recollect that a considerable portion of these deposits in both divisions is not "savings" of the character we have been discussing, but the funds of well-to-do people who are unable at the time to find investment for them, or are afraid to look for it. If the experience of the writer holds good at other places, 50 per cent. at least of money at interest in the chartered banks is not real *savings* accounts, but each reader who has to deal with such matters will probably have his own opinion of how much of the above total of two hundred millions can be called genuine "Savings Bank" money.

Within the last ten years or so the large chartered banks have taken measures to cultivate deposits of the "savings" class, and have been successful in a large degree by opening "Savings Bank Departments" at their offices—by the Bank of Montreal about the latter part of 1890, and by the other banks increasing the number of such departments and paying more attention than formerly to that branch. Success has brought a penalty with it, however, inasmuch as it is evident to observers that many bank customers, when they have loose money for which they have no immediate use or investment, promptly place it at interest, while without the suggestion of this department, it would probably remain "free money."

As to Loan Societies, the figures above show a slight falling off from preceding years. It is understood the best of these companies find such money apt to be an awkward element in their finances, and are not encouraging the business. Legislation as to these companies has been intricate and confused between federal and provincial laws. The jurisdiction to legislate has been doubted and is doubtful. No general proposition can be laid down as to their powers to receive deposits, etc., which would include all the companies.

To revert to the Government share in this business, it is extremely disappointing to find that the Government should have laid down good principles at the commencement, and sub-

sequently departed from them. At the institution of the Post Office Savings Banks, in 1867, it was enacted, following closely the British Act, that the deposits received should be funded in Canadian Government securities (Sec. 73 of 30 Vic., chap. 10), but when, in 1871, the Government Savings Banks were established, not only was no such provision made for the money received through them, but the clause in the Post Office Act embodying this principle was repealed, and in the revision of the Post Office Act, in 1875 (38 Vic., chap. 7), it was provided simply that these deposits should be handed over to the Receiver-General, and that any withdrawals should be paid by him.

It cannot be contended that it is a proper or comfortable thing for a country having annual revenue and expenditure which it is at least sometimes a strain to make balance each other (roughly, say, thirty-seven millions last year each side), to have an unfunded, or, to use a more familiar term, "floating" indebtedness of forty-seven millions payable on demand, with absolutely no provision to meet any considerable portion of it, even though the creditors who hold that indebtedness be many in number and of its own people. It is of course practically impossible that the whole would be called for at once or even within any short period, but a very considerable portion might be, and how is such a call to be met? What do we find the Government doing in 1891? In 1889-90 there had been a net decrease in these funds of about two millions, and in 1890-91 the drain continued to the extent of another million and a half, and more. The Government is compelled to borrow temporarily in London (from six to twelve months and carried on longer) at expensive rates (4 and $4\frac{1}{2}$ per cent.), and *increases the limit of deposit receivable from any one person from \$1,000 as a whole, with \$300 as a yearly maximum, to \$3,000 as a total, with \$1,000 in any one year!* Is this anything else than a distinct bid for money against the deposit-receiving institutions of the country, thus lessening the supply of money for trade purposes and increasing its cost? Had these funds been invested in the recognized funded debt of the country, that is, loans regularly floated and having a quotation in the world's money market, the requisite amount of these securities could have been re-sold and the withdrawals met without trouble.

This increased limit of deposit, it is surprising to find, has been continued in both the "Government" and Post Office Savings Banks, and is in force to-day. The only theory on which Government Savings Banks can be upheld is that it may be a proper function of Government to provide an absolutely safe place where those who are so poor and ignorant as to be unable to judge regarding monetary institutions may deposit their small surpluses—but does such an idea bear any relation to a balance of \$3,000? It is too evident that this theory, while put forward and borne in mind to some extent for a time in the Post Office system, has never been regarded in the other branch of our Government Savings Banks.

The latter began with no limit mentioned. In 1877, it was placed at \$10,000, in 1880 reduced to \$3,000, in 1886 brought down to \$1,000, with a further restriction in 1887 of a yearly limit of \$300. The Post Office system had from its inception a limit of \$1,000, until, in 1891, at almost the first pressure on the savings balances with the Government in both systems, the limit is raised to \$3,000 to attract the deposits of better-to-do people. It is surprising that it has escaped public comment for so long that correct theories as regards this department of our national undertakings have been departed from—that they have ceased to be merely depositories for the encouragement of thrift among the poor as they ought only to be, but have become in a measure loan-agencies for the Government—that the amount of money so loaned has swollen to very large figures, and that there is absolutely no reserve or provision for the repayment of these loans on the terms on which they were received—that is on demand.

Sir Richard Cartwright, speaking in 1891 in reply to the Budget Speech of the year, said :

"He and his friends (that is the Finance Minister of the time and Cabinet) were paying at that time 30 per cent. more for money than its worth in the open market—they were artificially raising the rate of interest and doing a good deal of harm, and, moreover, instead of following the wise example of the English Government of treating money obtained in this fashion as it ought to be treated, namely, as trust funds to be invested in Government securities and not otherwise, they were using that money for permanent investment, with the result which

"the honorable gentleman has just pointed out to the House, "that when our Savings Bank deposits began to diminish, "straightaway he must borrow in England at 4 or 5 per cent. to "the tune of \$5,000,000 or \$6,000,000 to make up the deficit in "those deposits which under that unwise and improper system "of financing had been invested in permanent works." (Commons Debates, June 23rd '91).

That these moneys have been and are an expensive as well as dangerous portion of the country's indebtedness is shown by the list of loans made since 1867, with particulars as to the actual cost of the moneys.*

If we take the rate paid in the Savings Banks—4 per cent. from the beginning, in April, 1868, until October 1, 1889; $3\frac{1}{2}$ per cent. since (it is to be 3 per cent. from July 1, 1897), and add the cost of maintenance of the Post Office Savings Bank Branch (no figures are provided of the separate cost of the Government Savings Banks) as shown in the statement, p. 385†, we can compare the result with the cost, as given in the schedule of loans; for example, we find the net interest upon the last loan is 3.15 per cent., the Post Office rate is 3.50 per cent., and the cost of maintenance .21 per cent. From the nominal rate of $3\frac{1}{2}$ per cent. we have to make a small reduction, for the lopping off of interest on broken months makes the rate actually paid on the money .06 per cent. less—that is, the cost to the Government is 3.65 per cent., or exactly $\frac{1}{2}$ of 1 per cent. higher than the cost of the regularly floated loan.

The rate, as we know, has been reduced to 3 per cent. (to take effect July 1, 1897), but even this smaller rate, along with the maintenance, barely brings the total cost (even under the *lenient* view of maintenance cost, as just indicated) to the result of the last English loan.

Another point about such indebtedness as these deposits is that the annual cost is not met year by year—that is, the inter-

* See page 391.

† In the estimate of cost of the Savings Bank Branch it is not charged with postage on its mail matter (that being free by statutory regulation), with rental of the space occupied by it in the Departmental Buildings, nor with any part of the salaries of the Minister or Deputy Minister under whom it works. The present Postmaster-General, by the report just issued, seems to consider the branch should be charged with these, but this appears a somewhat extreme view. It increases the percentage of cost from .21 to .34.

MEMORANDUM RESPECTING CANADIAN LOANS PLACED ON THE LONDON MARKET SINCE 1867

LOAN	Price in prospectus	Price realized		Duration of loan, years	Rate per cent.		Total issue		Discount or Premium		Amount realized		Charges, including Dis-count for immediate payments and Interest on part payments		Net Amount of Cash realized		Rate of interest, taking into account interest as well as preceding deductions
		£	s. d.		£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	
Intercolonial R'y, 1869, guaranteed ...		105	12 11½	35	4	5	1,500,000	.....	P. 112,946	.....	2,112,946	.....	20,896	18 5	2,083,049	1 7	4.125
do 1869, guaranteed ...		104	7 8	30	4	5	1,500,000	.....	P. 78,971	6 8	1,878,971	6 8	33,449	18 11	1,845,521	7 9	3.916
Rupert's Land, guaranteed ...		90	90 3	30	4	4	4,000,000	.....	D. 393,476	17 6	3,606,523	2 6	60,889	9 9	3,546,633	12 9	4.875
Loan of 1874 ...		99	1 8	30	4	4	1,500,000	.....	D. 22,930	9 1	2,477,069	10 11	42,847	6 1	2,434,221	14 10	4.16
do 1875, guaranteed ...		91	91	30	4	4	1,500,000	.....	D. 225,000	.....	2,275,000	.....	57,122	9 7	2,217,877	10 5	4.75
do 1876 ...		96	11 9	30	4	4	1,500,000	.....	D. 102,347	12 6	2,897,652	7 6	36,602	15 7	2,861,049	11 11	4.3
do 1878 ...		95	11 10½	29	4	4	3,000,000	.....	D. 147,206	6 4	2,852,793	13 8	47,988	8 3	2,804,805	5 5	4.5
do 1879 ...		91	91 2	25	3½	3½	5,000,000	.....	D. 445,870	.....	4,554,130	.....	94,693	3 4	4,459,436	16 8	4.23
do 1883 ...		99	101 1 2	25	4	4	4,000,000	.....	P. 43,416	.....	4,043,416	.....	84,098	2 1	3,959,317	17 11	4.083
Canada Reduced ...		95	1 24½	24½	4	4	4,443,136	2 9	D. 54,576	2 9	6,388,560	.....	35,977	1 ...	6,352,583	19 ...	4.1
Loan of 1888 ...		95	1 50	50	3	3	4,000,000	.....	D. 197,994	.....	3,802,006	.....	67,598	4 3	3,734,404	7 6	3.27
do 1891 ...		91	92 10½	46	3	3	2,250,000	.....	D. 179,009	16 ...	2,070,990	4 ...	31,365	6 7	2,039,624	17 5	3.41
do 1894 ...		95	97 9 2	43½	3	3	2,250,000	.....	D. 57,145	6 9	2,192,854	13 3	24,807	... 3	2,168,047	13 ...	3.156

*Or 50 years, calculated for 25 years only.

This table shows all the loans for which prospectuses were issued. The loans of 1888 and 1892 were augmented by the sale of stock as necessity required and as opportunity offered, at the current rate.

est is not actually paid, but is simply added to each depositor's account, and in the vast majority of cases remains undrawn. Thus, even the interest obligations of each year as regards this indebtedness of the country are not liquidated each year, as in the case of a funded loan, but merely go to increase the debt which, thus almost insensibly, is ever growing.

What can be done to bring the position back to correct principles? The money has gone into the "Capital Account" of the country. Is it not feasible to have a loan authorized for the purpose of representing these deposits and get it recognized on the London market, so that at any time any required amount of it could be sold? Of course, this would involve a regulation that all subsequent increases of these funds should be invested in our funded debt, and thus that there would be no increase of the public debt from this source. But here a difficulty in the matter of price presents itself. The Government is to pay its depositors 3 per cent., and has its expenses in addition, while its securities sell in England at a rate to yield less than 3 per cent. (Canadian 3 per cents 103-104 yielding investor £2 18s. 3d. per cent.) Investment at a loss, which would be visible and declared, would be a difficult proposition to carry. Of course, the Government has been doing business at a loss, but that hasn't been made very evident.

The Canadian equivalent of Mr. Wanamaker's plan, described on a previous page, that is, re-deposit with the chartered banks, though it contains the attractive principle of *redistribution*, is not feasible at present, because of this very question of rate, if for no other reason—though there are other reasons—and at all events it is not to be expected that the banks would accept at *any* rate any very large sums as "preferred claims" against their assets.

Everything seems to assert that, according to present monetary conditions, even 3 per cent. is still too high for a Government rate—that it is an unbusiness-like and losing rate—(Mr. Wanamaker stated, we remember, that the Postal Bank rate should always be $\frac{1}{2}$ per cent. under the rate allowed by the banks). Of course, if it is to be continued as a matter of consideration to the depositors, let it be understood that the rest of the country is giving something in charity

to the poor unfortunates who can get together a balance of *only* \$3,000! This much at least can be done, and at once do away with this utterly indefensible high limit of deposit : bring down the limit to \$500, and let any excess over that sum be transferred to Dominion stock—taken out of the list of liabilities payable on demand. For the thrifty man, saving steadily, \$500 is enough for a *floating* balance, especially when anything he may have over that is placed in such a security as Government stock, readily convertible by sale. There would be no danger and no hardship for the poor man in such a course, while the country's indebtedness would be in better shape and better understood. Let the people of small savings get accustomed to dealing in the country's bonds and stocks in small amounts. It will make them all the better citizens, suggest ideas of permanence, and make them guarantors of it more than does a balance in a pass-book, which of itself indicates temporariness.

* * * * *

As regards the internal management of our Post Office Savings Bank, which institution has overshadowed, as we have said, the other Government Savings Bank and is destined to survive as the only system, Canada was fortunate in the officials on whom was thrown the burden of arranging the working details of the Post Office Savings Banks ; and to the ability and studious care of Mr. J. Cunningham Stewart (now deceased) and Mr. D. Matheson, the present Superintendent of this branch of the department, is almost entirely due the excellent routine system we have. These gentlemen were the Canadian counterparts of Messrs. Chetwynd and Scudamore, and it is curious to know that before they had at hand the regulations of the Imperial Post Office Savings Bank they had evolved a system which required little change when the Old Country regulations had been fully studied. The two systems of routine are in principle alike, having such differences as the divergent circumstances call for.

The regulations of our Post Office Savings Bank are probably known to our readers, but the salient points may be briefly touched upon.

The unit of deposit is one dollar, and interest is added once a year (30th June), allowed "on minimum monthly balance." The limit of deposit is \$3,000 as a total, \$1,000 in any one year.

To prevent an accumulation above the limit under control of one person a depositor on opening an account has to make a declaration that he is not interested directly or indirectly in any other deposit. (This was of value when the limit was a reasonable one). Also that he understands he must look to the central office at Ottawa for the responsible acknowledgment of any deposit. The Postmaster receiving a deposit marks it in the pass-book and is required to advise it the same day to Ottawa, whence a receipt is immediately sent to the depositor, and this receipt is the only one the Government holds itself out as finally responsible for. All accounts of depositors are kept in ledgers in the central office in Ottawa, and, by a system which could scarcely be described in words to those unfamiliar with the routine, all entries are subject to *daily* verification.

Postmasters are allowed one-quarter of one per cent. commission on all deposits received (except in the few large offices where the Postmaster receives a fixed salary). Secrecy is enjoined on Postmasters and other officers performing the business.

Withdrawal is made by an application on printed form, signed at any Post Office, and forwarded to Ottawa, when a cheque on the Bank of Montreal, Ottawa, in favor of the depositor is sent to the Postmaster, and a notification by mail direct to the depositor, who has to call with his pass-book at the Post Office and get the withdrawal entry made, when he is handed his cheque. (In Great Britain the actual money to pay a withdrawal is sent.)

The facility of withdrawing or depositing at *any* office (being a Savings Bank office) is made use of to an extent that seems surprising, as many as 20 per cent. of the entries in the ledgers coming from offices other than those where the accounts originated.

The depositor is required to send once a year, on the anniversary of opening the account, his pass-book to the central office, in a cover supplied, postage free, that all entries may be verified.

It seems somewhat curious that the single office having the heaviest aggregate of balances due depositors is Ottawa, where there was on June 30, 1896, a total of \$1,658,569, as much as \$544,134 having been deposited within the year, and only Toronto, with its seventeen branch offices combined, exceeds this total by about \$150,000. Is this due to proximity, to being in immediate touch with the responsible office, or is it the mental atmosphere of the place which induces so many to patronize a Government institution because it is so?

* * * * *

In the space of an ordinary magazine article not more than a few of the outlines of the large and interesting subject of Savings Bank systems can be given, and discussion was intended here of the Post Office system principally, but the facts and considerations advanced may be of value for the further examination they may suggest, as well as the information they contain.

R. GILL

OTTAWA, June, 1897

PITFALLS IN ENGLISH

THE following excerpts while reflecting the character of the contents of a very useful manual recently published under the above title,* will also be found to contain matter which may be perused with profit. The book has chapters on the etymology of the English language, on syntax, etc., but the following is taken from those portions in which the author deals with words frequently used erroneously—termed in the title “pitfalls,” and more pointedly “Ignorantisms” in a chapter heading:

Conservative is a word that is absurdly misused by newspaper writers and in conversation. “Pigs’ feet is ruz awful, a conservative estimate is three cents apiece by the joblot.” Wherever *Conservative* is used in any sense but that of preserving or tending to preserve from waste, loss, injury, degeneration, deterioration, decay, or the like, it is used solecistically, ignorantly, slangily.

Phenomenon. The man who first used this word and its derivate *Phenomenal* in the sense of Something very remarkable or unusual, gave a palmary example of a vulgar error. In philosophy and in science *Phenomenon* means only Appearance; or, in its largest sense, that which is cognizable by the senses. One can hardly be in error in tracing the perverted meaning of *Phenomenon* to the lecture hall in which the man of science or the popularizer of physical science would announce beforehand one of his experiments by saying: “The *Phenomenon* you are now to witness,” etc.; and as the ignorant (though, of course, “educated”) audience would the next moment see some striking effect of mixture of chemicals, or some miracle of electricity, they would naturally suppose that *Phenomenon* meant “scientific miracle.” Some reputable authors have inadvertently employed the terms in this vulgar sense; but that must never avail to consecrate the Ignorantism.

**Pitfalls in English*; a Manual of Customary Errors in the Use of Words. By Joseph Fitzgerald, M.A. 25c. New York: J. Fitzgerald & Co.

Consensus of Opinion. Opinion or Opinions as equivalent to "the general opinion" seems to have gone clean out of use, being superseded by the phrase Consensus of Opinion. Consensus means agreement in opinions, judgments, etc., and hence if the Latin word is to be used it would best stand alone. If standing alone Consensus means agreement in opinions, then the too familiar phrase means "agreement in opinions of opinion," not a very neat expression. A slight improvement in the current formula might be effected by writing Consensus of Opinions: that at least would give the indispensable basis for "Consensus," namely, two or more opinions. In one opinion there is neither Consensus nor Dissensus, agreement nor disagreement.

Identify. The use of Identified in such a phrase as "He was identified in mining interests with Gould," is an Ignorantism. The proper word would be Associated, Connected, or the like. Correct usage gives no sanction to the employment of Identify in that sense. One may "identify himself with the common people" or with the uncommon people, that is, make himself one of them, the same (*idem*) with them. Two men who ply the oars of a boat are as much identified in that work as two sharpers who "work" a mine in company: there is in neither case Identification.

Balance. It is using the language of the shop, pidgin English, and a mere vulgarism to employ this word in the sense of Remainder: "I will send the Balance of the tripe to-morrow." When the fishmonger is selling sprats and his scales are not in equipoise, he throws in one more sprat, and that sprat may without doing violence to propriety of language be called the Balance. But even a fishmonger might hesitate to call that part of an order for sprats which he fills by supplementary delivery the Balance.

Posted, or Well Posted, in the sense of Well Informed, or instructed, learned, or well read, is slangy and shoppy, smelling of daybook and ledger.

Secure (v.) is one of the words that are overworked. It comes from the Latin adjective *Securus*, our English adjective *Secure*, which means primarily free from care or anxiety. Hence the first meaning of the verb would be to make safe, as from danger to life or against theft, etc. Derivative senses are,

to make fast so that a thing shall not fall from its place; to make sure, to put beyond doubt; to give warrant of the safety of a thing, hence to insure; finally, by a process not very readily traceable, to get possession, obtain. It is in this last sense that the word is overworked. We no longer, get, obtain, or come into possession of, or procure: we always nowadays secure a situation, secure a bargain, secure a meal or a theatre ticket, nay, even we secure securities.

Affiliate with its derivatives is often used ignorantly and blunderously in the sense of Fraternizing or Associating. In such use of the word there seems to be an underlying erroneous notion that the element "fil" (Lat. filius) means brother or perhaps that Filiate implies the idea of family and hence of familiar association. There is no such phrase known to correct usage as "to affiliate with." Affiliation is a term of the Roman law and denotes the act of one who adopts another as his son; the same act is expressed by the verb; always Affiliation is the act of the one who makes the other his son; never the act of the one who assumes to the other the relation of sonship. In the English common law Affiliation means the assignment of a "natural" illegitimate child to its father. Filiation as an English law term has the same meaning as Affiliation; outside of law it is used to express the relation of son to father, and is equivalent to Sonship.

Transpire in the sense of Happen is a hideous Ignorantism. Its pedigree is short and ignoble. *Expire* means to draw the last breath, to give up the breath or ghost, to die. *Transpire* means literally "to emit through the excretories of the skin;" figuratively, to ooze out as a secret does through closed doors and thick walls; hence, to have vent, to escape. Some inattentive reader of such passages as this from Cowper:

Pierced with a thousand wounds I yet survive;
My pangs are keen, but no complaint transpires—

taking *Transpires* as equivalent to *Ensues* or *Follows*, began himself to use the word in that sense, and the meaning of "happening" was only one short step lower. The Latin has no verb *Transpiro*.

Refer, *Allude*. These two verbs are synonymous in their use as terms to express mere mention of a subject-matter in

discourse. They both denote passing attention to or mention of some matter, never anything like discussion of it. Yet in common usage, both in speaking and writing, the subject of a discourse or the very sum and substance of a labored argument is spoken of as the subject "referred to" by writer or speaker. "Refer" seems to be ousting by degrees from conversational use such words as Mention, Recite; e. g., "The train of events referred to by the speaker as accounting for," etc. A very remarkable instance of misuse of the verb Allude is seen in the form of contract for supply of gold coin between the Rothschilds and other bankers on one side and the Secretary of the Treasury on the other (1895). Towards the end of the document, after the nature of the bonds to be given by the Treasury has been defined with all minuteness, those very bonds are mentioned as "the bonds here"—in the contract—"alluded to." In view of the manner in which the loan was negotiated, the drawer-up of the contract might be pardoned had he "alluded" to the transaction as "this funny business."

Vim. The boundless tolerance of dictionaries is well exemplified in their admission to their vocabularies of such dog-latin slang as the word Vim—"with a vim." It occurs in one of the greatest of modern dictionaries without any mention of its slanginess. No note is there to warn the unwary that the word is a mere Ignorantism, but the asterisk is prefixed as in the case of obsolete words or meanings. Vim is no obsolete word. It never was, and never should be an English word.

Extra. This word or prefix is very commonly used in conversation and in newspapers in the same sense as Super, Supra, and the Greek prefix Hyper. Thus we hear Extra-good, Extra-cheap. The true force of Extra is seen in the word Extraordinary, which, instead of denoting a greater ordinariness, means "out of the ordinary." A few examples will show the native import of the prefix: Extradition, given up to an outside authority; Extrajudicial, out of the ordinary course of judicial proceedings; Extralogical, lying outside the province of logic; Extramundane, outside the system of the sensible universe; Extraregular, beyond rules. The abuse of Extra has gone so far that many readers will probably be surprised to learn that in correct usage Extra never has the effect of enhancing the

meaning of the word to which it is prefixed. Almost as objectionable a use of the word Extra as the one just mentioned is seen in the hybrid word patched (not coined) by E. B. Tylor, viz., Extra-historic, meaning outside of history proper. Here the fault is not that Extra is used out of its etymological sense, for it is not, but that a Latin element is coupled with a Greek when a Greek element might conveniently have been used. The right prefix here would have been Ex (exo), Gr., having the same meaning as Extra. Exhistoric is the correct form.

Circumambient. Whoever first wrote this word must have fancied that he knew Latin better than the Latins. They were content with simple Ambio, without Circum. And the old Latins were in the right, for the idea of Circum (round about) is already in the word, and to add to it is as unnecessary as to prefix Circum to Circulate. "Ambio" is a compound word formed of Ambi (around, round about) and Eo (to go), and hence, Ambiens (Ambient) means Surrounding, Circling or Circulating about, and Circumambient cannot possibly mean any more.

It may be urged with reason that the author's tendency occasionally is to be extreme. The style of the criticism also is not altogether a pleasing one, but the effect of this fault in the book is perhaps to rather enhance its value to the reader, because of the provocation it affords to a critical examination of criticism which for the most part is founded on substantial grounds.

NOTES AND COMMENT

THE annual meeting of the Canadian Bankers' Association will be held on the 6th, 7th and 8th October, at Niagara Falls. An announcement on the subject will be made, by circular, to the Associates as soon as arrangements have been completed.

THE almost general reduction by the banks of the maximum rate of interest on deposits to three per cent. since the reduction to that rate by the Government took effect, may be taken as fully justifying the Government's action in the matter. If money on deposit were worth more than three per cent. the movement among the banks to reduce to that rate would not have been so spontaneous.

IN pamphlet No. 24 of the Gold Standard Defence Association, which deals with the lines on which currency evolution has proceeded in the British colonies, the following reference to the currency system of Canada appears :

Canada has until recently had no gold mines, nor has silver been discovered there in the large quantities which Mr. Goschen and Mr. H. H. Gibbs (now Lord Aldenham, President of the Bimetallic League) suspected in 1878 of having converted the United States to bimetallism since 1867. Yet Canada, though its commercial interests are necessarily connected, and intimately connected, with the United States, has never manifested any desire to imitate its neighbour in falling between two stools in currency. On the contrary, Canada, while taking the United States gold eagle as its standard coin, has steadfastly declined to recognize the United States silver dollar, and has completed the Dominion currency by a purely subsidiary system of her own silver and bronze tokens. Untroubled by "greenbacks" or by Bland and Sherman Acts, the Dominion of Canada has steadfastly maintained a purely gold standard, and has shown how, with a sound standard, it is both possible and safe to economize the metallic basis of "money." In the real or City sense of the term, to an extent which is not dreamed of on the Continent. All the gold in the country is practically held by the Banks or by the Dominion Government. From the published accounts it appears that the five millions of Canadian population conduct the whole of their enormous commerce, including 49 millions sterling of foreign trade, on a gold basis which, so far as any gold kept in Canada is concerned, has never exceeded 3¼

millions sterling,† supplemented by little over a million sterling additional in the shape of Dominion token coins. In other words, the whole Dominion currency in the fullest sense of the term rested in 1893 on a metallic basis (including tokens) of $4\frac{1}{2}$ millions sterling, or about 18s. per head of the population.

With this compare the case of the United States in the same year, 1893, as stated by the Director of the Mint in the United States. According to the Director, the estimated metallic stock of the United States on July 1st, 1893, was as follows :—

Gold	.	.	.	.	\$597,697,685
Silver	.	.	.	.	615,861,484
					\$1,213,559,169

Taking the population of the United States in 1893 as 67 millions, the above total gives no less a sum than £3 12s. per head as the metallic basis of United States currency, or four times the corresponding figure for the Dominion of Canada. This is a striking difference, but it does not tell, as, according to the Bimetallic doctrine, it should, against the Dominion and in favour of the United States. Facts do not show that the quantitative theory or any other part of the Bimetallic contention receives any support from the four-fold abundance of metallic money in the United States. It is not a fact that United States prices (including wages) are four times as high as they are over the Canadian border. Nor are the United States four times as prosperous as Canada. Nor does the abundance of United States currency, which is replenished according to the favorite simile of Bimetallists, from "two cisterns" in about equal volume, give the United States an immunity from crises, in the proportion of one to Canada's four.

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On the subject dealt with in the paper on "Over-Insurance and Under-Consumption" in our last issue, a correspondent writes :

I do not agree with the views enunciated by Mr. John Davidson in his article in the April number of the JOURNAL on over-insurance and under-consumption, and think his experience could only have been limited to the province of New Brunswick, and that the manner of living there must be very different from what it is in the western provinces of our Dominion.

Close observers maintain that in the province of Ontario and westward we are an extravagant living people, spending far too much money on our eating, drinking, clothing, and keeping up style generally, in fact the most of us are only working for the butcher, baker, grocer, etc., and nothing would be saved up towards old age or for our widows and orphans if it were not for life assurance agents—and I may here say that I am not of that fraternity.

I do not intend to go into the question of whether we as a people are over-insured or not, except to say that it is better to err on the side of over-insurance than under-insurance, and that when we do insure we ought to support our home companies, who should, perhaps, deal more liberally than they do with lapsed policies, but I feel that if Mr. Davidson's inference

†The United States Treasury Report, 1894 (p. 180), gives an estimate of \$14,000,000 in gold and \$5,000,000 in silver as the metallic stock of Canada on January 1st, 1894. The United States figures make the comparison *infra* somewhat more unfavorable to the States.

that Canadians are too saving, be not contradicted, it may do harm, as many who are now given to spend more than they should may only be too glad to make use of his article as an excuse to spend more.

Not only are Canadians extravagant in their mode of living, but they are governed extravagantly, and from the wholesale merchant with his horde of travellers, down to the small retailer, with his delivery wagon and villa residence, business is conducted in an extravagant manner, and the consumer has to pay for it. Even the farmer, who is much maligned for penuriousness, is living in a style that his forefathers never dreamed of, spending his hard-earned money in building large houses he does not need, in buying organs and pianos, fancy buggies, and every new fangled implement which the silvery-tongued agent persuades him is better than the one he sold him the previous year, in fact everything about the place must be up to date or he thinks he is not in it with his brother farmers.

These are facts well known to observing and thinking men, and they foster a gambling spirit which takes hold of any specious scheme which presents itself and which promises large profits, etc. Witness our many land and mining booms.

Canadians do not hand over all their savings to insurance companies, as asserted by Mr. Davidson, for it is chiefly Canadian capital which is invested in the large and varied manufacturing industries of the country.

We are inclined to agree with the views expressed by our correspondent. It would be a grave pity if the habit of insuring fully were to be abandoned by Canadians, unless with the object of substituting some other form of thrift. It must not be supposed, however, that Mr. Davidson's remarks were directed against the principle of life-insurance; the title of his paper is sufficient to make the reverse of this clear.

There is one point of view from which over-insurance may seem to affect the prosperity of the country to some extent, which is this: when savings are accumulated in the hands of the owner, he has control of the investment of them, and is likely in many cases to embark them in some enterprise for the development or extension of new fields of labor, and thus be the cause of special benefits to the community, whereas if his savings are all in the hands of the insurance companies, whose field for investment is by law a strictly limited one, their effect then is to lower the rate of interest on the securities of municipalities and other corporations. They cannot be used directly in furthering what may be described as adventure or enterprise, although no doubt these accumulations of trust funds do serve a most important purpose in lowering the rate of interest for moneys which form the fund out of which railroad construction, developments in electrical and various other services, etc., are ultimately provided for.

IN the issue of *The Nation* of 10th December last the editor gives in a leading article the results of an investigation of the reasons which led to the adoption of the term dollar as the measure of value on the American continent. Commenting at the outset on the singular fact that while our terms for measures of length and area, for capacity from least to greatest, and for weights from grains to tons are all English, in the one matter of value the English measure has been departed from, he prefaces his answer to the question of how this is to be accounted for by the summing up "Thanks to Codfish."

The closing portion of the article contains interesting history respecting the American currency :

The connection of cod and currency was close. Money was never so scarce in New England as during its early decades. That colony had been planted by the aid of English capital. The exports from the new country were needed for paying debts in the old, or for procuring new supplies. No import of money from England could be hoped for, nor could the colonists keep the pittance they had brought with them. Within ten years after his arrival, Winthrop writes sadly, 'Our money was now (1640) gone' (*Journal* ii., p. 24). In this emergency attempts were made to keep money in the country by a law which forbade carrying it out on pain of forfeiture, and by a fiat money Act for coining ninepences and ordaining that they should pass current as shillings. Hence originated the pine-tree shillings of the Old Bay State, now prized so highly by numismatists. Puritans eschewed Shakespeare, but they knew as well as his *Jack Cade* to order that 'seven ha'penny loaves should be sold for a penny.'

Necessity fortunately soon invented a more excellent way to make money plenty in every man's pocket. A new and better fish market than the English was discovered and utilized to the utmost. The Navigation Act, indeed, forced all vessels to steer for England, but, once there, they could push on to Spain and further. This Act, however, laid on American necks a yoke too heavy to be borne. It was thrown off at every opportunity, without any twinge of Puritan conscience, especially as to the carriage of fish to the West Indies. It was soon relaxed so as to permit voyages direct to all points south of the most northern cape in Spain. Thanks to fasts, which had been abolished in England, fish in rigidly Catholic countries was indispensable. The demand was great and unceasing, prices high, and paid in pieces-of-eight. No wonder the fish trade, mainly in cod, expanded and was differentiated. Refuse culls, or poor John, became in sugar islands the only luxury of Sambo; the medium grades contented his creole master, while the selectest variety, the duncod, enabled European grandees of the strictest sect to keep the most rigorous fasts without much mortification of the flesh.

It is safe to say that none of these varieties of cod tasted so sweet to hunger-bitten fasters as the profits from them tasted to the Yankees when they had secured free course through Southern markets. Their ciphering was of this sort : A vessel of 100 tons with twenty men fishing on the banks and voyaging to Portugal, Spain or Italy, perhaps selling half her cargo in the West Indies, will expend £1,000. At the year's end her receipts may be expected to show a gain of 200 per cent. It is no wonder that as early as 1709 the fishing navy was chronicled as already amounting to 30,000 tons. In 1741 the total export trade to southern islands equalled that to England itself; each was reckoned at £100,000. The birth of a codfish aristocracy could not be long deferred.

The codfish dollar as a coin could not fail to become early the real unit of value, though the pound so continued in name till near the close of the eighteenth century. The Spanish fractions of the dollar, as well as the dollar itself, predominated in American circulation, while English names were given to the pieces. Thus the ryall (rial, real, royal) was called a ninepence, and its half a four pence ha'penny. These Spanish sub-divisions formed most of the change current in the United States during the first half of the present century. This fact appears in the rates of postage, which were fixed in conformity to the size of those bits. We see on old letters postage marked $6\frac{1}{4}$ cents, because the smallest Spanish silverling passed at that value. But for this coin, postage could never be fully paid, as no quarter of a cent was ever minted. Economical men used to pay in copper, and thus saved four per cent. on their outlays. For twenty-three years previous to 1828, not one half dime was stamped in the United States mint, and the total number which had been before stamped was little over a quarter of a million (265,543). Other American coins were struck off on a similarly scanty scale.

We thus owe the federal currency formally adopted by Congress in 1786, but used in business long before, to codfish. It brought us the dollar as our monetary unit—the dollar both name and thing, with all early sub-divisions and some that still survive—as really as though every codfish had been caught with a silverling in his mouth, like the fish in which St. Peter found the stater for paying his tribute and his master's.

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee :

Payments Made on Legal Holidays

QUESTION 66.—A gives his cheque to B in payment of an indebtedness, on the evening preceding a legal bank holiday. The bank remains open for the transaction of business on the holiday, when A withdraws the balance at his credit, thus cutting the holder of the cheque out of his money. Has the holder of the cheque any recourse against the bank? His plea would be that he naturally assumed that the bank was not open on the holiday and held his cheque until the first business day thereafter, when he found the funds had been withdrawn?

ANSWER.—A bank is under no obligation whatever to the payees or holders of unmarked cheques. There is nothing to hinder the bank making payments to its customers outside of the regular business hours, whether on a legal holiday or not, and its sole obligation is to pay its customers' cheques when presented, if it then has funds in hand to meet them.

Irregular Endorsements

QUESTION 67.—Is the endorsement "John Smith, Secretary Jones Manufacturing Company," upon a cheque payable to the order of "John Smith," irregular? Section 26 of the Bills of Exchange Act would seem to give the payee the right to endorse in this way if he so elects.

ANSWER.—We think such an endorsement as you describe, that is, the endorsement of a payee of a cheque drawn to order who has merely added to his name a description of his official position, may be regarded as a sufficient endorsement, but if

instead of endorsing as "John Smith, Secretary Jones Manufacturing Company," he should endorse "Jones Manufacturing Company by John Smith, Secretary," that would, we think, not be an endorsement that would pass the title to a cheque drawn in favor of John Smith or order.

Negotiability of Deposit Receipts

QUESTION 68.—Referring to my enquiry as to the negotiability of deposit receipts (Question 54), subjoined is a copy of the wording of the receipt which I had in mind :

Received from J. Smith *on deposit*, for a period of not less than three months from this date, and subject thereafter to ten days' notice of repayment or withdrawal, the sum of One Hundred Dollars, to be accounted for upon surrender of this certificate to J. Smith with interest (until date of notice only) at the rate of three per cent.

ANSWER.—In the April JOURNAL the question has been somewhat fully considered, but with regard to the receipt in the form submitted, we should not suppose that such a receipt would be negotiable. It would only have that quality if it could be held to be a promissory note, and we think that under the rulings in the cases referred to in the reply to question 54, the promise to "account" for the amount to J. Smith cannot be held to be an unconditional promise to pay to the holder of the receipt. For the same reason it is not transferable by endorsement, in the sense in which that word is used in the Bills of Exchange Act, but the claim which it represents may be transferred by a simple assignment endorsed on the document by the depositor.

The practical questions arising out of these points are as to the obligation of the bank holding the money to account for the same to an endorsee, or its rights if it should make payment to an endorsee.

A mere signature in blank is not in itself authority to the bank to pay to the party holding the document, and it probably would not protect the paying bank if, as a matter of fact, the party receiving the money had no right to receive it: See the case of *Evans v. National Provincial Bank* reported in this issue. An endorsement in blank might however be a very important link in the chain of proof advanced by the party holding a deposit receipt so endorsed, in support of a claim that the money had been duly assigned to him. This does not affect the bank's right to refuse to recognize the assignment without further proof.

If the receipt is endorsed by the depositor "Pay to C.D. or order," payment to C.D. would probably be good, as such an endorsement would doubtless be held to constitute C.D. the agent of the depositor to collect the money, and the depositor could not dispute what was done in consequence of his own

act; but, for the reason mentioned below, it would be well to take the endorsee's receipt for the money as "on behalf of" the depositor.

If the receipt is presented for payment by another bank, bearing the endorsement of the depositor either in blank or with an order to pay to such bank, payment might, no doubt, be safely made to the bank presenting the receipt, but it would be well to require a receipt for the money in which it is declared that the receiving bank is acting as an agent for the depositor, *e.g.*, "Received from ——— on behalf of A.B. (the depositor) the amount of the within deposit receipt and interest." The object of this is to ensure that if there is any mistake in the matter the bank receiving the money will be liable either to the depositor, as for money received on his account, or to return the amount as paid under a mistake. It is to be noted that a guarantee of the endorsement does not cover this point: that merely protects against forgery, and does not guarantee that the bank has authority to collect the amount.

Borrowings by a Corporation Beyond the Scope of its Powers

QUESTION 69.—Two of the officials of an incorporated body borrow money from a bank. The corporation has no power to borrow, which fact is known to the bank. In the event of trouble can these two officers be held personally liable, there being no recourse against the corporation?

ANSWER.—We think not. See the case of *Struthers v. Mackenzie*, reported in this issue.

Crossed Cheques

QUESTION 70.—Would a Canadian teller be justified in paying a cheque with two lines across the face? I take it that if a cheque were crossed to, say the Bank of Montreal, it would have to go to the credit of the payee's account in that Bank—that is, it would have to be deposited to the man's credit, and the teller could not legally pay out the cash for it.

ANSWER.—A teller would not be justified in paying cash over the counter for a crossed cheque, whether the crossing be special or general—that is, with two lines only, or with the name of a bank in addition to the lines. A crossed cheque should only be received for credit of the account of a customer—not necessarily the payee—at the bank to which it is crossed, or, if crossed generally, at a bank. Of course a bank may cash any crossed cheque, under any circumstances, but at its own risk. If the right party receives the money, that ends the matter; if not, the bank might not have the protection afforded by clause 79 or 81 for payments made in the regular course.

Identification of the Payee of a Cheque

QUESTION 71.—In your answer to question 43 you say: “A bank can refuse to pay a cheque to order until the bank is satisfied as to the identity of the endorser.”

A cheque is presented at the bank; the payee, who is unknown to the bank, requests the bank to accept the cheque pending his identification. This is refused, though there are sufficient funds at credit of drawer, and by the time payee is properly identified the funds are withdrawn, and payment of the cheque refused.

Can the holder sue the bank for damages?

ANSWER.—Inasmuch as the bank, before accepting the cheque, is not in privity with the payee, no liability to the holder would arise under the circumstances disclosed in the first question. We think, however, that notwithstanding the disadvantages occasioned by the bank becoming the acceptor of a cheque, referred to in the answer to question 43, the bank should in fairness mark the cheque under the circumstances indicated in the above question, so as to protect the payee's interests during the necessary delay involved in the identification.

Stop Payment

QUESTION 72.—A, who was the holder of a cheque signed by B, payable to bearer, notifies the drawee bank that he has lost said cheque and wishes payment stopped.

By section 74 of the Bills of Exchange Act, the bank's duty to pay is terminated by countermand of payment.

(1) Must not this countermand be given by maker alone?

(2) If the bank refuses payment on the notification not to pay, received from a person said to be the holder, can the maker have an action against the bank?

(3) If the bank pays, for want of a proper order from maker, can the holder in good faith, have an action against the bank?

ANSWER.—The countermand of payment referred to in section 74 of the Bills of Exchange Act is clearly a countermand by the customer. If the bank refuses payment on the notification of someone not the customer, and if it should turn out that the person presenting the cheque was a holder in due course, the maker would have an action against the bank for refusing payment of his cheque, as the maker would be liable upon the cheque to the holder in due course. If the bank pays the cheque to a holder in due course, the original holder would have no action against the bank, as the cheque had, as between him and the subsequent holder in due course, ceased to be his property. If, however, the bank paid to a person who was not

a holder in due course, under such circumstances as would disentitle it to say that the cheque was paid in good faith, then the original holder of the cheque could claim from the bank its value in an action of trover for conversion of the cheque.

The receipt of such a notice from a person claiming to be the holder would undoubtedly put the bank upon enquiry as to the rights of the person presenting the cheque, and the bank should satisfy itself that he is really a holder in due course.

Married Women's Property Act.—Warehouse Receipts and Securities under Sec. 74

QUESTION 73.—(1) How will the recent amendment to the "Married Women's Property Act" affect the position of a married woman in respect to contracts?

(2) Can a married woman resident in Ontario give security under Sec. 74 and issue warehouse receipts; and, if so, would they be equally binding whether or not she owned the warehouse where the goods are stored?

(3) Can a man legally give security under Sec. 74, or warehouse receipts for goods stored in a warehouse which he has rented?

ANSWER.—(1) The recent amendment has removed what might be described as the property qualification necessary to enable a married woman to enter into such a contract as the giving of a promissory note, etc. It is not necessary now that she should have property at the time of the signing of the note, and if she acquires property afterwards a creditor has the right to look to it for her debt.

(2) A married woman may give security under Sec. 74, or warehouse receipts, under the same circumstances in which a man could give them. See answer (3).

(3) A man can give valid security under Sec. 74 if he is qualified under the terms of the Act to give such security upon goods he owns, wherever they may be stored, whether in his own warehouse, a rented warehouse, or in any other place whatever. He could give a warehouse receipt for goods which are in his possession as bailee, whether stored in a warehouse which he owns or which he has possession of as tenant or otherwise. The point is that he must be in actual possession of the goods.

Cheque Payable only on Personal Endorsement of Payee

QUESTION 74.—A depositor notifies his banker that he has issued a cheque payable to the order of John Smith, and wishes it paid *only* on the *personal endorsement* of John Smith. Is the

banker bound to respect such a request, or would he be justified in accepting said cheque, tendered by payee's clerk, and endorsed 'For deposit only to credit account of John Smith'?

ANSWER.—We think the bank is bound to act on the instructions of its customer in the case mentioned. He has a right to countermand payment, and the bank is bound to obey his orders. The instructions quoted do not go as far as that, but they are very much in the same line, and it would, we think, be held to be within the customer's rights to require the bank only to pay the cheque when it is endorsed as he specifies.

In any case the holder of the cheque the payment of which has been refused on the instructions of the drawer, would have no claims whatever against the bank. If the cheque were endorsed by the duly constituted attorney of the payee, and refused because of the customer's orders, the bank would still not be liable to anybody. The holder would, however, have a valid claim on the drawer, and (if notice of dishonor were given) on the endorser.

Canadian Bank Notes and Dominion Notes—How Payable

QUESTION 75.—Can anyone presenting Canadian bank notes at place of issue demand gold for same up to any amount, and similarly with legal tender notes at the place of issue?

ANSWER.—Anyone holding the note of a Canadian bank may demand gold for the same at the place of issue. The bank may pay in gold or legal tenders at its option, but should the party demand a certain proportion in legal tenders the bank must comply therewith. See Sec. 57 of the Bank Act.

The place of issue in most cases means the office of the bank at which the note purports to be issued. The practice of the banks in Canada now is almost altogether to domicile the notes at the head office. A bank is not bound to pay gold for such notes at its branch offices, but it must receive them at par in payment of any debts due it. See Sec. 56 of the Act.

As regards legal tender notes, the government is bound to pay their face value in gold on demand at the place at which they are made payable.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

THE decision in *Trusts Corporation v. Rider*, reported at page 222 of the current volume of the JOURNAL, has also been affirmed by the Court of Appeal. It is held that notwithstanding the provisions in the Mercantile Amendment Act respecting assignments in writing, parol assignments of choses in action are still valid.

IN the case of *Halsted v. Bank of Hamilton*, an appeal from the judgment of Meredith, C.J., reported at page 323 of vol. II of the JOURNAL, was argued in October last before Burton, Osler and Maclellan, JJ.A., and dismissed. The Court held that the case was governed by *Bank of Hamilton v. Sheppard*, cited in the judgment above referred to.

Legislation Affecting Banks.—At the recent sessions of the Dominion and Ontario legislatures there were a number of Acts passed directly affecting the interests of banks, and the Editing Committee have pleasure in announcing that they have arranged with the counsel of the Association, Mr. Lash, to prepare an article for the next issue of the JOURNAL, noting and commenting on this new legislation.

IN the *Bankers' Magazine* (New York) for June, a case is reported which on one point may be of interest to Canadian bankers. The head note to the report of the case is as follows:

A National Bank is not authorized to engage in the business of lending money for its customers; and it cannot be held liable for the acts of its officers in so doing.

The judgment is that of the Supreme Court of Arkansas, delivered by the Chief Justice, and contains the following general statement respecting the law on the point above indicated :

There is no showing that the bank, by its charter, had authority to transact such business as that of loaning the money of its depositors or of other people in general. Such authority we have failed to find in the national banking law, and the decisions on the subject, or rather the decisions involving analogous facts all seem to be to the effect that the business of a broker (and a broker's business is to loan the money of others, or borrow for others, or buy and sell property of others, and such like) is not a business in which a National Bank can lawfully engage, since it is not mentioned in the National Bank Act, and the Act is strictly construed as against the grantee corporation as to powers conferred as in all cases of private corporate grants of power.

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Forged and Unauthorized Endorsements.—All doubt as to the position of banks and others in respect of forged and unauthorized endorsements of cheques, bills and notes, has been set at rest by the amendment to the Bills of Exchange Act, passed at the session of the Dominion legislature just closed. The text of the amendment is as follows :

1. Sub-section 2 of section 24 of *The Bills of Exchange Act*, 1890, as amended by section 4 of chapter 17 of the statutes of 1891, intituled "An Act to amend *The Bills of Exchange Act*, 1890," is hereby repealed, and the following sub-sections are substituted therefor :—

"2. If a bill bearing a forged or unauthorized indorsement is paid in good faith and in the ordinary course of business, by or on behalf of the drawee or acceptor, the person by whom or on whose behalf such payment is made shall have the right to recover the amount so paid from the person to whom it was so paid or from any indorser who has indorsed the bill subsequent to the forged or unauthorized indorsement, provided that notice of the forged or unauthorized indorsement is given to each such subsequent indorser within the time and in the manner hereinafter mentioned ; and any such person or indorser from whom said amount has been recovered shall have the like right of recovery against any prior endorser subsequent to the forged or unauthorized indorsement.

"3. The notice of the forged or unauthorized indorsement shall be given within a reasonable time after the person seeking to recover the amount has acquired notice that the indorsement is forged or unauthorized, and may be given in the same manner, and if sent by post may be addressed in the same way, as notice of protest or dishonour of a bill may be given or addressed under this Act."

The effect of this legislation can be readily understood on a careful reading of the new sub-section.

Cases Reported in this Number.—The judgment in *Trusts Corporation v. Clue*, a case under the Married Woman's Property Act, is of course based on the statute as it stood prior to the amendment of 1897.

** In the case of *Pennington v. Crossley* the courts have dealt for the first time judicially with a state of facts which must often be a cause of dispute between drawers and drawees of cheques, and in doing so have affirmed a principle in the matter which to many will probably seem inequitable. So far as Canada is concerned, any question as to who should be responsible for a cheque lost in the mails affects only crossed cheques, but upon these this judgment has a serious bearing. If a creditor requests his debtor to send him by mail a cheque for his account, he must, we think, be taken to have made the post office his agent for the receipt of the cheque, and the cheque must be held to be in his possession constructively from the time of mailing. Under sec. 79 of the Bills of Exchange Act, a crossed cheque in the circumstance just mentioned becomes a good payment on the part of the drawer. In the case before the court it was not proved that the cheque in dispute had been transmitted by mail at the request of the payee, but it was shown that on previous occasions the creditor had requested that a cheque should be sent in payment, and the court in effect decided that the custom existing between the parties justified the debtor in mailing his cheque, and regarding it as in the possession of the creditor from the time of mailing, going so far as to say that if a person did not wish to run the risk of a cheque being lost in the mails, he should put a statement on his invoices to the effect that a cheque would be treated as payment only when received. This seems to be stretching the protection of law to a very extraordinary point, but it is well to know what view the courts are likely to take in these cases. As remarked above, the question in Canada is only important with respect to crossed cheques. In England, however, under sec. 60 of the Bills of Exchange Act, the question applies practically to every cheque.

** There is no doubt a good deal of misunderstanding among bank officials as to the liability of the officers of a corporation

who borrow from a bank on behalf of the corporation which they represent, in cases where the corporation is not empowered by law to borrow money. To those who have to deal with such cases the judgment in *Struthers v. Mackenzie* will be of much interest. The court held that the officers of a corporation were not liable for any express or implied representation or warranty of their authority in law to bind the corporation, as it is to be assumed that every person dealing with a corporation knows whether or not it is entitled by law to incur liabilities, and if money is advanced to a corporation which has no power legally to borrow money, the officers would not be personally liable because of any invalidity in the obligation of the company. Of course if the corporation had express power to borrow, and the officers represented that they were in fact empowered to borrow on its behalf, they would be liable in the event of this representation proving to be not founded on fact.

A JUDGMENT which, if upheld, would have been quite startling in its effects, was rendered some months ago in a case of *Martin v. Sampson et al.* The action was by the assignee of one Angus, for the benefit of creditors, to set aside a chattel mortgage made by Angus to the defendant Sampson to secure a loan of \$1,000 and interest. The Chattel Mortgage Act requires that an affidavit of *bona fides* shall be attached to every chattel mortgage. In the case now referred to this affidavit, covering the declaration that Angus was justly and truly indebted to the defendant Sampson in the sum of \$1,000, was made on 2nd May, 1895, whereas the money was not advanced until the 7th May. On the ground of this untruth, although the good faith of the transaction was not questioned, the affidavit was impeached as worthless, and a judgment was obtained by the plaintiff, setting aside the mortgage.

As the case had gone immediately to appeal, we thought it well not to publish a report of the first judgment, and it is now a satisfaction to note that the appeal, which was argued before Boyd, C., Robertson and Meredith, JJ., has been allowed.

We quote from the judgment of Boyd, C.:

The giving of the mortgage and the paying of the money

appear to be parts of an honest transaction; and if so, the security should not be lightly set aside. To interfere, there must be some plain violation of statute law, for the findings of the trial Judge exclude the elements of fraud. Now the statute which it is alleged has been broken is the Chattel Mortgage Act, and the breach consists in this, that the affidavit is said to be false or untrue because the money was not paid at or before the execution of the instrument, but some days thereafter. The import of the affidavit is, no doubt, that there was an existing debt in respect of the \$1,000 mentioned as the consideration, and if the matter fell under the English statute, the result might be fatal, as that requires the true consideration to be stated. But with us the truth or untruth of the affidavit is important only as bearing on the question of fraud or *mala fides*. The untruth of the affidavit, if it is formally in conformity with the statute, gives no ground for avoiding the instrument under the terms of the Ontario Act. It would require some express legislative provision to the effect that a false affidavit should *per se* vitiate the security. In that view it is not of moment to consider whether the affidavit was carelessly or recklessly false, nor as to what extent it is untrue, unless there is that in the transaction which imports a fraud upon creditors.

The transaction itself is in accordance with the ordinary way of doing business in lending on land, where the security is perfected and registered before the actual advance of money is made. Probably no objection would have been thought of had the money in this case been paid at a later hour on the day after the instrument had been registered. Yet that, ethically considered, would not better an affidavit, sworn before, containing the language found in this affidavit, which is also the language required by the statute. But the law would not in that case have regarded the fraction of a day—preferring to view the whole as the one act on the one day. The present security apart from the statute is unimpeachable, though the advance was not made until the 7th, four days after the registration, because the intention and conduct of the parties all point to the whole as one transaction. As said in the evidence, the money “was waiting to be paid over upon the completion of the documents.” That is a fair way of regarding the dealing—as a transaction of contemporaneous loan—the security to be with reference to the \$1,000 to be advanced, and the payment to be made with reference to the specific security; the whole being completed by payment within a reasonable time after registration of the security and before any change in the situation of either party.

QUEEN'S BENCH DIVISION, ENGLAND

Evans v. National Provincial Bank of England *

Deposit receipt—Payment of deposit to a party not authorized to receive it.

This was a claim by Miss Mary Ann Evans for £151 18s. 3d. for principal and interest of money deposited with the defendants. The defence was that the money had been paid, or in the alternative that the plaintiff had acted negligently and had misled the defendants, so that she was now estopped from asserting her claim.

The plaintiff said that on September 4th, 1891, she deposited £133 at the Aberayron branch of the defendants' bank. A deposit receipt was given to her, and the deposit was upon the terms that the money should be accounted for at the Aberayron branch to her or any one authorized by her to receive the same, with interest, on production and delivery up of the deposit receipt with a receipt endorsed thereon signed by her. In 1894 she was living in London, and, being desirous of paying off a debt of some £2 or £3 which she owed to her landlady, she endeavored to obtain the interest on her deposit. Being unable to obtain it at the London office of the defendants' bank, she applied to one Lloyd, who lent her the money she required and retained the deposit receipt as security. She afterwards failed to get back the receipt from Lloyd, and ultimately discovered that it had been realized and was in the possession of the defendants. The deposit receipt was produced; it was endorsed in the plaintiff's name, the signature being witnessed by a Miss Busby at the East Strand post-office. The plaintiff declared that the signature purporting to be hers had not been written by her, and that she had no acquaintance with Miss Busby, and had never been in the post-office in question. Miss Busby having lately become insane could not be called, but evidence was tendered, and after objection and discussion was admitted to show that when confronted with the plaintiff she had failed to identify her as the person whose signature she had witnessed. There was no dispute that the signature of the witness to the receipt was that of Miss Busby, but it was con-

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tended that the plaintiff was personated, and her signature forged. The account of the transaction as given by Lloyd for the defence was as follows:—That he had been acquainted with the plaintiff for some years. In 1885 the plaintiff's cousin left him some money by a will which was afterwards contested. In those proceedings her sympathies were with him, and she also sympathized with him in other actions which were subsequently brought against him arising out of the same matter. One of those actions he compromised in 1888 for £280, towards which the plaintiff promised to make a contribution, and it was in fulfilment of that promise that she gave him the deposit receipt, which she endorsed in the East Strand post-office in his presence and in that of Miss Busby. He paid the deposit receipt into his own bank, the National Bank, who sent it to the defendants' branch bank at Aberayron. The manager at Aberayron did not make any inquiries about the signature, but telegraphed the National Bank that he would pay on satisfactory proof of identity; Lloyd having satisfied the National Bank on that head the money was paid over.

Philip Lang, formerly Lloyd's clerk, corroborated Lloyd's evidence with regard to the expedition to the East Strand post-office. He went to that post-office with Lloyd and the plaintiff, but remained outside and did not see or hear what was transacted inside.

Mr. Justice Collins said that as the receipt was admitted the burden was on the defendants to make out the defence of payment, and it was enough to say that they had not satisfied him on that point. He was not satisfied that either of the stories told were completely true. Both were very peculiar, but with the receipt admitted the plaintiff started with a *prima facie* case in her favor. The defendants claimed title under Mr. Lloyd, and his story was very remarkable. He said that the plaintiff had pressed this money upon him as a gift out of sympathy with him for being compelled to pay £280 as the representative of a relation of hers who had left property to Lloyd and had forgotten herself. She had undoubtedly been coming to his office about that time, but she said that it was to borrow a small sum. In support of Lloyd's view the similarity of the signature on the deposit receipt with admitted signatures of the plaintiff was relied on, and it was true that there was a very remarkable similarity. At the same time the circumstances of the signing rested upon the uncorroborated testimony of Mr.

Lloyd. But the action was not against Lloyd, but against the defendants, and their conduct when the receipt was sent to them was very important. Their manager at Aberayron did not rely upon the signature, but telegraphed "Deposit receipt paid if identity satisfactory," and before any answer was received the money was paid over. To the defence of estoppel, therefore, there was one short answer—viz., that the defendants did not pay on the signature. But estoppel failed on another ground. If it was true that she handed the document to Lloyd for safe custody only, and it was signed for that purpose only, she would not be estopped, for the document was a receipt only and did not purport to be an authority. Lloyd's story that the plaintiff authorized him to receive the money had not been made out. It was impossible to adopt his story. He (the Judge) was not at all satisfied that the plaintiff ever signed the document, but at any rate she did not sign it so as to authorize Lloyd to receive the money, and there was nothing in the facts to prevent the plaintiff from recovering.

Judgment was given for the plaintiff for the full amount with costs.

QUEEN'S BENCH DIVISION, ENGLAND

Sutton v. Blakey*

A bill of exchange was materially altered by the drawer. A day after he obtained the acceptor's authority to make such alteration.

Held, the plaintiff could not recover on the bill.

This case, which was originally tried before Mr. Justice Lawrance and a common jury, was heard on further consideration of points of law. The action was upon a bill of exchange of which the defendant, Mrs. Blakey, was the acceptor. The bill was dated September 9th, and was originally a three months' bill. It was drawn by one Taylor, the son of Mrs. Blakey, and was for the sum of £115. After it was accepted it was taken back to the office of the defendant's solicitor, when the "three months" was changed by Taylor into "twelve months," the period originally intended by all parties. On the following day Taylor obtained from his mother an authority in the following terms:—"I give to my son Horace R. Taylor the full right to use my name for drawing and accepting promissory notes and bills of exchange, and for all business purposes, or any other

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purpose whatsoever, and to trade in the name of A. Blakey and Sons." It was signed by the defendant, and bore date September 10th. The plaintiff then advanced £100 upon the bill. The defence on the facts set up at the trial was that Mrs. Blakey's signature to the bill had been obtained by the fraud of her son, and that she had never signed the authority at all. The jury found that she did sign the authority, and that she signed the bill as acceptor. The question as to the legal effect of the alteration of the bill stood over for further argument.

Mr. Justice Lawrance said that the point was a very narrow one, the only question being whether the bill was avoided by the alteration. He was very much averse to giving effect to technical defence. There was, however, nothing in the evidence to displace the dates which appeared on the face of the documents, and it was clear, therefore, that the bill was accepted on September 9th, and the authority was given on the following day, while the money was not paid until later still. It was argued that, inasmuch as the authority was given before the money was handed over, there was a sufficient authorization of the alteration. No doubt the alteration was a material one—that was conceded—and the conclusion to which he (the learned Judge) came was that this alteration was made after the bill had been signed by the defendant; that the son had no authority to make it at that time; and that the authority to use the defendant's name, given to him afterwards, did not authorize him to make the alteration so as to bind her. Judgment must therefore be for the defendant.

HIGH COURT OF JUSTICE, ENGLAND
 Pennington v. Crossley & Sons, Ltd.*

A cheque remitted in accordance with a practice established between parties having frequent dealings, was stolen in the mails and partly cashed. It was shown that on two previous occasions the creditor had requested that "a cheque" should be sent in payment of accounts. *Held*, the mailing of the cheque having been proved, that this constituted payment.

The material facts are as follows: On 10th December, 1896 the plaintiff sold goods to the defendants to the value of about £519, subject to a discount of $1\frac{1}{4}$ per cent. if paid within fourteen days. On 24th December the defendants, who carry on business at Halifax, posted in Halifax a letter addressed to

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the plaintiff at his proper address in Bradford, containing a cheque for £503, which was the amount due after deducting the discount and certain agreed allowances. The cheque was made payable to the order of J. W. Pennington, the plaintiff, and was crossed. The letter never reached the plaintiff, and it appeared that a day or two after the cheque was presented at a branch of a local bank, purporting to be endorsed by the plaintiff, whose signature had, however, been forged. The bank said they could not cash the cheque, but the person who presented it stated that he wanted to open an account with it, whereupon the bank opened an account in the name of J. W. Pennington, and gave him credit for the amount of the cheque. The man at once drew out £200 in gold and decamped, and nothing could be ascertained about him.

From the evidence it appeared that the plaintiff and defendants had had dealings together for years, and that it had been a common course of business between the parties for the defendants to send to the plaintiff by post cheques in payment of their accounts; on the other hand, the plaintiff denied that when he asked the defendants for money he asked that a cheque should be sent; he admitted writing two letters, in one of which, dated several years prior to the present transaction, he said, "Expected to receive your cheque this morning"; and in another, dated December 30th, 1896, "I have been expecting to receive your cheque for some days for the amount of my invoice"; but he contended that it was entirely at the defendants' option as to how they sent the cheque, and stated that he had often received payment from them upon the exchange. It did not necessarily follow that he expected to receive it by post.

Grantham, J., in giving judgment, said in this case he had to determine which of the two parties should suffer the loss of the cheque—or rather of part of a cheque, because the whole of it had not been paid away—through the fraud of some unknown person and the carelessness of some official at the bank in question. He must say he was very much surprised to see that the bank had received this cheque in the way they did, because, if it were customary for banks to treat a crossed cheque in that way, the value of the cross was entirely destroyed by their so doing. Of course, he had nothing to do with that: he only made that remark in passing. The liability of the bank to the drawer of the cheque was quite another matter. He had to

deal with a difficult question as between two innocent persons, and, in his judgment, the plaintiff was the one who must suffer, because the defendants had acted in this instance in a way that had been customary in the carrying on of the trade between the two when the defendants were paying the plaintiff for goods delivered. He should have been prepared to hold that where they had for a long course of years dealt in the same way, and the plaintiff had been paid for all his goods by cheque, the plaintiff and defendants had agreed that the payment should be made by cheque, and that the proof of the posting of the cheque to the plaintiff in the way in which it had been proved in the present instance would be a proof of payment which must hold good in law. But in the present case there was something more to go upon, because it was clear that the plaintiff did request that some of the earlier payments should be made by cheque, and under these circumstances this had been a long course of dealing between the plaintiff and the defendants. He was justified in holding that the letters which the plaintiff wrote—one in 1893 and the other afterwards—in which he made requests for cheques, showed what was the ordinary course of business between these two firms. In this particular case he held that there was a request by the plaintiff to the defendants to pay by cheque, that this was simply a continuance of the customary way of payment and receiving payment, and that the defendants had exonerated themselves from liability by sending a cheque to the Post Office on December 24th, 1896. Several cases had been quoted which had more or less bearing upon the matter. It was somewhat remarkable that the question itself had never been tried in the concrete form in which it was put that day. But he had no doubt that from the authorities mentioned the principle of law to be deduced was that enunciated in his judgment. The learned counsel for the plaintiff, commenting upon two Acts of Parliament relating to the Paymaster-General and the Court of Bankruptcy, and specifying that the posting of a cheque must be taken as payment of dividend or other accounts, had held that the fact of this being specified was proof that if this course were to be accepted it should be by special arrangement. He did not accept the view that it was necessary for these Acts to be passed to authorize that which he now enunciated as being the law. It seemed to him that in both the instances mentioned by the counsel for the plaintiff the persons affected were not persons who had been accustomed to deal together before. He hoped it was not customary for people to constantly become bankrupt or to be constantly acting as creditors in a bankruptcy; and the business of the Paymaster-General, too, was not one of constant transactions with the same persons. They were not in business and customarily trading

together. In the present instance it was a custom of trade carried on throughout the world, and by which millions of pounds changed hands every day. If a person did not wish to run the risk of losing a cheque through the post, he ought to put something on his invoices to say that payment would only be accepted as payment of the account when the cheque was received. If he had done that, the plaintiff in the present action would have been justified in saying that, not having received the cheque, he would not place it to the credit of the sender, who, therefore, still remained his debtor. His judgment would be for the defendants, with costs.

Stay of execution was granted.

COURT OF APPEAL, ONTARIO

Hamilton Provident & Loan Society v. Steinhoff*

Covenant by a firm of private bankers, executed by one partner without the knowledge or consent of the other, to pay the principal and interest of a mortgage on lands the equity of redemption in which had been conveyed to the firm as security for a debt. *Held* to be binding only on the partner who executed it.

The facts in this case, briefly stated, were as follows :

The plaintiffs were mortgagees of the lands of one H. W. Clark. The latter becoming indebted also to the firm of Steinhoff & Lillie, private bankers at Wallaceburg, executed a conveyance of the property to them individually, subject to the mortgage held by the plaintiff company. The mortgage became in default and the company pressed for payment, whereupon the defendant Lillie, without the knowledge or consent of his partner, and in consideration of the company granting an extension of time, executed an agreement in the firm name to pay the principal and interest secured by the mortgage.†

This agreement was afterwards repudiated by Steinhoff as being beyond the scope of Lillie's authority, and the company brought this action. The case was tried at Hamilton in November, 1894, before Rose, J., and judgment rendered in favor

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†Under the terms of the partnership the management of the business of the firm devolved entirely upon Lillie, Steinhoff being a sleeping partner and taking no part in it.

of the defendant. This judgment was affirmed on appeal to the Court of Appeal. We give following some extracts from the judgments of the latter Court :

HAGARTY, C.J.O.: This (agreement) seems to me to be wholly without the ordinary power of a partner, not sanctioned either by knowledge, course of dealing or articles of partnership. . . .

If we uphold the plaintiffs' claim I think we thereby establish a most dangerous precedent in the law of partnership.

It may well be conceded that a partner may take for his firm a second mortgage as a security for a debt to the firm, but to also enter into an engagement to pay off the first encumbrance seems an addition to his co-partner's liability hardly contemplated or warranted by the partnership contract.

BURTON, J.A.: There is nothing in the articles of partnership expressly prohibiting such a guarantee, for the only paragraph dealing with such matters was evidently intended to prohibit only the making or endorsing accommodation paper outside of the business or becoming surety for other persons.

I quite agree with the argument of the plaintiffs' counsel that notwithstanding any article, however express, in the partnership agreement, a course of conduct by all the partners inconsistent with it would be evidence that they had agreed to vary the terms of the agreement. The maxim "*modus et conventio vincunt legem*" is especially applicable, but his attempt to apply the rule to this case failed upon the evidence, Steinhoff having no knowledge of this dealing.

The case appears to me to be so plain that I have not thought it necessary to consult the authorities to which we were referred.

HIGH COURT OF JUSTICE, ONTARIO

McQuarrie et al. v. Brand*

Promissory note—Independent contemporaneous agreement.

This was an appeal to a divisional court consisting of Armour, C. J., and Falconbridge, J., from a judgment of the County Court of Perth.

The defendant was sued as the maker of a promissory note for \$300, by the personal representatives of the payee of the note, and set up the defence that at the time the note was given the payee had verbally agreed with him that on the fulfilment

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of certain conditions the note was to be regarded as paid. The defendant submitted evidence of the existence of such an agreement and of its terms having been fulfilled.

It was held that the defence was a good one in point of law, and that the evidence in support of it did not vary the terms of the note.

In delivering the judgment of the Court the learned Chief Justice remarked :

If the note had been sued upon before the complete performance by the defendant of his contract, the contract set up by him could not probably have been given in evidence to show that the note was not to be payable till after the performance by the defendant of his contract ; for this would have been an attempt to vary by oral testimony the express terms of the written note, but the contract of the defendant having been completely performed at the time the note is sought to be enforced, this difficulty does not arise, for the defendant is not seeking to vary the terms of the note, but to show that the note has been satisfied by the performance by him of his contract.

HIGH COURT OF JUSTICE, ONTARIO

Trusts Corporation of Ontario v. Clue et al.*

Where the only property possessed by a married woman, without a settlement, consisted of an interest in personal property given her during coverture,

Held, that this was separate estate liable for her debts.

This was an appeal from the County Court of Bruce in an action brought against Elizabeth Clue, a married woman, and Charles Clue, her husband, on a promissory note. The note was signed by both defendants, and was made payable to one Emma Pratt, whose administrators the plaintiffs were.

The husband was a laboring man who gave his wages to his wife, who managed the house, purchasing furniture, on one occasion a piano, and generally dealing with his money as she pleased. Subsequent to the giving of the note the husband had received a legacy, which was deposited in a bank in her name, and with which a house was purchased and conveyed to her. She borrowed money from the deceased, for which the note

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sued on was given, and she used the money in paying off a chattel mortgage on the furniture, which had been signed by her. It did not appear whether her husband had signed the chattel mortgage.

On this state of facts the County Court judge found that either solely or jointly with her husband she had an interest in the property when she signed the note, but whether that interest was such separate property as would entitle the plaintiff to a proprietary judgment in this action depended on the construction to be placed on R.S.O. ch. 132, which he decided to be as follows:—

“The only section of the Act which could make it separate property is sec. 4, sub-sec. 4: ‘Such a woman may hold all her personal property as if unmarried, excepting any money received by her during coverture.’

“All this woman’s property has been received from her husband during coverture. She says she never earned any money, never received any from anyone except her husband and Mrs. Pratt, and Mrs. Pratt’s money she paid to the mortgagee of the furniture; that she never had any money of her own. . . . This woman then having no property, except that received from her husband during coverture, even if married without a marriage settlement, would not have it at the time of signing the note sued on any separate estate, and is therefore not liable upon the note.”

From this judgment the plaintiffs appealed to a Divisional Court, and the appeal was argued on 9th November, 1896, before Armour, C.J., and Falconbridge, J. It was contended by counsel for the plaintiffs that sec. 4, sub-sec. 4 of R.S.O., ch. 132, only excepts property received from the husband as free from his debts, and only applies to his creditors: *Sherratt v. Merchants Bank of Canada*.

The Court allowed the appeal, their judgment being delivered by Armour, C.J., as follows:

We think that there is no doubt that the wife had separate estate in respect of which she could contract, and the learned judge has in effect so found. But he was wrong in holding that she having received it during coverture was incapable of contracting with regard to it.

HIGH COURT OF JUSTICE, ONTARIO

Carrique v. Beaty

Promissory note—Signature by new maker after maturity.

This case was tried before Boyd, C., at Milton, in December, 1896. It was an action on a note in favor of the plaintiff, and bearing the names of Wm. C. Beaty, James Beaty and John Albert Beaty. The latter two had signed for the accommodation of the first mentioned, James at the time the note was given, and John Albert after its maturity, to further secure the payee.

The defendant, James Beaty, in entering a defence, pleaded, among other things, that after the issue and delivery of the note it was rendered void by a material alteration, viz., by adding thereto the name of John Albert Beaty as a maker thereof; that the note was not duly presented for payment at maturity, nor did he receive notice of non-payment, although known to the holder to be a surety only; that the plaintiff had extended the time for payment of the note in consideration of John Albert Beaty adding his signature thereto; and that by these acts and omissions this defendant was discharged from all liability to pay the note.

The defendant, John Albert Beaty, set up that he signed the note in June, 1894 (after its due date), merely as a surety for Wm. C. Beaty, and without consideration, which the plaintiff well knew; that when he so signed a new arrangement was made, and the time for payment extended till October, 1894; that the note was not then duly presented for payment, nor did this defendant receive notice of non-payment.

The plaintiff replied that John Albert Beaty became a party to the note with the knowledge of the other defendants for the purpose of giving further security for its payment, or of becoming an endorser thereof, and the note was thereupon delivered to the plaintiff as a collateral or continuing security.

BOYD, C.:—Upon the evidence it is very plain that the defendants, Wm. C. Beaty and James Beaty, signed the promissory note sued upon as joint makers. The currency of that note was for a year, which expired in December, 1893. In June, 1894, it is also plain from the evidence that the instrument was signed by the defendant John Albert Beaty in order to give

additional security to the plaintiff. In this respect I cannot distinguish the case from *Ex p. Yates*, where Turner, L.J., says, in language appropriate to this case: "I think the intention of the parties was not to add a new maker of the note, but to add a new person to those already liable. This might be done by adding his name without constituting him a new maker of the note or altering it in any way."

Prior to, as well as under the Bills of Exchange Act, a person so signing is to be regarded as "incurring the liabilities of an endorser:" see Act of 1890, secs. 56 and 88.

I do not find upon the evidence that there was any agreement on the part of the plaintiff to give time for the payment of the note, or that any extension of time was agreed upon when the name of John Albert Beaty was added to the note. There is an absence of evidence sufficient to discharge either of the defendants, if regarded merely as a surety for the payment of the \$500.

Treating the last signer, then, as an endorser on a note payable on demand, the evidence shows that he has not been prejudiced by non-presentment for payment prior to this action. It was expected by him that time would be given for payment—his name was added because it was rumored or supposed that Wm. C. Beaty (who afterwards assigned for creditors in January, 1895) was in a shaky financial condition—and it is evident that nothing would have been collected from Wm. C. Beaty for this endorser in exoneration of his liability, even had the note been earlier presented for payment.

The provisions of the Act now are that when a note payable on demand has been endorsed, it must be presented for payment within a reasonable time of the endorsement, but not if it is delivered as a continuing security; and in determining what is a reasonable time regard shall be had to the nature of the instrument * * and the facts of the particular case: sec. 85 (1 and 2).

This instrument was dealt with as a continuing security, though there was no express or binding agreement to give time, and time was in fact given by the holder till the assignment of Wm. C. Beaty precipitated this action. I find no reasonable delay in presentment, and no reason on this head to discharge the last signer.

The result is that judgment should be for the plaintiff against all three defendants.

HIGH COURT OF JUSTICE, ONTARIO

Bank of Toronto v. Hamilton*

Money paid by mistake

In this action the Bank of Toronto sought to recover certain moneys from the defendant under circumstances alleged in their statement of claim as follows:—That on July 19th, 1895, the plaintiffs received at their office in Montreal from W. G. Elliott \$2,000, who requested them to telegraph it to Toronto to the defendant's credit, with instructions to advise the plaintiffs' branch office at 719 King street west, which was done, but by error in transmitting the message the amount was advised as \$3,000 instead of \$2,000; that subsequently the defendant called at the said branch office and enquired as to any money having been received to his credit, and was then by mistake informed that there was to his credit the sum of \$3,000, and he thereupon drew a cheque for the \$3,000 and received the amount; that shortly afterwards the plaintiffs discovered the mistake, and thereupon notified the defendant thereof and demanded the return of the \$1,000, and the defendant paid part of the \$1,000, but refused to pay the balance, which the plaintiffs now claimed.

The facts as proved at the trial are sufficiently mentioned in the judgment, and on them the defendant relied in his defence. He set up that he had been entitled to receive \$2,827 in respect of a shipment of cattle, that he had a claim on the cattle as security, which in consequence of the payment of the \$3,000 he had released, and pleaded that though he had repaid part of the \$1,000 to which he had no claim as against Halliday, in the judgment mentioned, he declined to return the remainder, because he was in no way a party to the alleged mistake, and had in consequence of the payment made to him surrendered all claim to the cattle, as the purchase money for which the sum was owed to him by Halliday.

The action was tried at the Toronto non-jury sittings before BOYD, C., in October, 1896, and judgment was given in favor of the plaintiffs, as follows:

The advice sent by the bank from Montreal to Toronto was,

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"Credit I. Hamilton \$2,000, per Elliott; advise King street." The King street agency of the bank was advised, but by a blunder in the transmission by telephone \$3,000 was credited in the King street agency, and this was chequed out to Hamilton about one o'clock on Friday, July 19th, 1895. The bank thus by mistake and in the hurry of business made an overpayment of \$1,000 to the defendant.

At Montreal this was the transaction: Halliday came to Elliott with a shipping bill of cattle (which he had bought from Hamilton) and asked an advance upon that security, and Elliott agreed to advance \$2,000, and this being accepted, he issued a cheque for \$2,000, payable to the Bank of Toronto on account of Hamilton. This being paid in about 11 a.m. on Friday, was wired to the Toronto office, as already stated.

The cattle came to Montreal early on Saturday and were shipped at 7 a.m. on that day. The bank, after using all diligence, were only able to notify Hamilton of the error and overpayment about midnight on the same Saturday, and after the cattle had been shipped.

The private bargain between Hamilton and Halliday was that the cattle should not be shipped unless \$2,827 were paid to Hamilton.† If this money was not obtained and paid to Hamilton he was to have or resume possession of the cattle. This by-bargain, however, was not made known to Elliott or the bank, but the defendant relies upon this as a reason for withholding the money overpaid sufficiently to satisfy his full claim against Halliday.

These are the salient facts. Hamilton had the right to be paid \$2,827 by Halliday. Halliday not disclosing this, arranges for the payment of \$2,000 only to Hamilton—getting that advance from Elliott in exchange for the delivery and possession of the cattle; Elliott pays that amount (\$2,000) into the bank for Hamilton, and the bank by the error of its officers pays out \$3,000 instead of \$2,000 to the defendant Hamilton.

Halliday being entrusted by Hamilton with the shipping bill of the cattle, was able to transfer them to Elliott in consideration of the \$2,000 advance, and the money instead of being

† In the official report of the case the following note is appended by the reporter:—"The statement of defence stated that after the agreement of sale, the cattle were placed on the cars at Wroxeter for shipment to Montreal, when Halliday alleging himself unable to pay the \$2,827, it was thereupon agreed that the cattle should go forward to Montreal, that the defendant should follow them, and that if Halliday did not transmit the money by telegraph to Toronto to the defendant, the defendant having followed the cattle to Montreal, should there reclaim and resume possession of them, and that until the money was fully paid the cattle should remain the property of the defendant."

paid to him and transmitted to Hamilton, was paid into the bank by Elliott to Hamilton's credit. Hamilton was Halliday's nominee for payment, and as against the bank and Elliott has no higher rights than Halliday. This is one way of viewing the facts, going to show that Hamilton's right to retain the surplus is to be measured by Halliday's right to retain had he received the money, which could not be argued.

In another respect this case seems to fall within the principle laid down by Parke, B., in *Kelly v. Solari* "that where money is paid to another under the influence of a mistake (that is, upon the supposition that a specific fact is true which would entitle the other to the money, but which fact is untrue, and the money would not have been paid if it had been known to the payer that the fact was untrue), an action will lie to recover it back, and it is against conscience to retain it."

The specific fact which induced the action of the bank here was that \$3,000 had been placed to the credit of the defendant by the action of their Montreal branch, only \$2,000 in fact being so placed. Though the defendant may have had the right to more than \$2,000 as against Halliday, that appears to give no equity to retain the proper money of the bank—which to the extent of \$1,000 was paid over to the defendant without consideration. It may be fairly said that there was a common mistake in this case, for the plaintiffs believed that the direction of their agent was to pay \$3,000 to the defendant on account of Halliday, and the defendant believed that Halliday had carried out the private arrangement between them, by which at least \$2,827 was to be obtained in respect of the cattle before they were to be shipped. But the real fact was that only \$2,000 was asked for and obtained by Halliday.

I therefore adhere to the provisional judgment given at close of the case and make it absolute so far as I am concerned.

HIGH COURT OF JUSTICE, ONTARIO

Struthers v. Mackenzie*

The plaintiff sued the officers and directors of a co-operative association, incorporated under R.S.O. ch. 166, for the price of goods sold to it on credit, which, by the statute incorporating it, the association was forbidden to buy in that way :—

Held, that he could not recover, as no action could be maintained upon an implied representation or warranty of authority in law to do an act; and, moreover, the plaintiff must be taken to have known of the statutory inability :—

Held, also, that although the proceeds of a re-sale of the goods by the association were applied to relieve the defendants from a personal liability for other goods purchased by the association, they could not be said to have derived a personal benefit from the plaintiff's goods, and, therefore, the latter could not recover on this ground :—

Held, lastly, that although one of the defendants accepted, on behalf of the association, the plaintiff's drafts drawn on it for the goods, he was not liable upon an implied representation or warranty of authority in law of the association so to accept.

This was an action brought by R. C. Struthers & Co., against the manager and directors of the Wyoming Co-operative Association (Limited), to recover the price of goods sold under the circumstances set out in the judgment of Armour, C.J.

The action was tried before Boyd, C., without a jury, at London, on January 13th, 1897, who dismissed the action with costs.

The plaintiffs on February 16th, 1897, moved before the Divisional Court, consisting of Armour, C.J., and Falconbridge, and Street, JJ., by way of appeal from this judgment. The judgment of the Court was delivered by Armour, C. J., as follows :

The Wyoming Co-operative Association (Limited) was incorporated under the provisions of R. S. O. ch. 166, entitled "An Act respecting Co-operative Associations," and the plaintiffs, merchants in London, sold goods to this association on credit to the amount of \$220.50, for \$41.16 part of which they, on April 1st, 1896, drew on the association at four months, and for \$51.77, other part of which they on May 1st, 1896, drew on the said association at five months, which drafts were "accepted for the Co-operative Association," by George Hartley, the treasurer thereof, under general instructions from the board of directors. Subsequently the stock in trade was sold by the association, and the proceeds thereof, together with the other assets of the association, were applied in

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payment to a bank of certain liabilities of the directors of the association, incurred by them for the purpose of raising money to pay for goods furnished to the association. The plaintiffs being unable by reason of the provisions of R.S.O. ch. 166, to recover against the association, brought this action against MacKenzie the manager, Hartley the treasurer, and the other defendants, as directors of the association, charging that they were personally liable to the plaintiff for the amount of their claim.

The cause was tried by the Chancellor on the 13th of January, 1897, who dismissed the action with costs, delivering the following judgment:

"I cannot see my way to your maintaining this action. We have no bankruptcy law, we have nothing decided. The statute says the transaction is inoperative. There is a contract, goods purchased by the company. Persons who dealt with it, Struthers and the others, knew and had means of knowing the condition of the company, as if it was put in the newspapers. They knew it was a legal entity; and they knew under what law or charter it stands incorporated; and they knew that they were dealing with a concern that could not deal in this way. The directors were not parties to the contract. They were going on in that illegal way also. But it turns out the concern has lost; the moneys they have received have gone to pay the indebtedness, and there is a shortage. There is nothing in their hands I can lay my hands on. I think it will have to be dismissed with costs."

The plaintiffs are precluded from recovering their claim, being for goods sold on credit to the Wyoming Co-operative Association (Limited), from that association, by reason of the provisions of R.S.O. ch. 166, under which that association was incorporated, that the business of the association should be a cash business exclusively, that no credit should be either given or taken, and that everything should be bought and sold for cash only.

No express representation or warranty of the authority of the association to purchase the said goods from the plaintiffs on credit, was ever made or given by the defendants or any of them to the plaintiffs, but the plaintiffs contend that upon the purchase of the said goods from the plaintiffs on credit, there was an implied representation or warranty on the part of the defendants or of some of them, of the authority of the association to purchase the said goods on credit, and that upon this implied representation or warranty, they can maintain this action.

But no action can be maintained upon an implied repre-

sensation or warranty of authority in law to do an act, but only upon an implied representation or warranty of authority in fact to do it.

"But the agent will not be liable in such cases unless the misrepresentation complained of be as to some matter of fact, and a representation by the agent, founded on a mistaken view of the extent of his authority in point of law, will not render him liable to the person to whom such representation was made": Chitty on Contracts, 13th ed., 275.

And in this case the implied representation or warranty of authority was one of law, not of fact, of the authority of the association to purchase goods on credit.

The plaintiffs were selling their goods to the Wyoming Co-operative Association (Limited); they must be taken to have known from its very name that it was a co-operative association, and that it was incorporated, and they must be taken to have known the Public Act, R.S.O. ch. 166, under which it must have been incorporated, and the provisions of that Act, and that it forbade the buying by the association of goods on credit.

The plaintiffs and the defendants having thus equal knowledge of the provision of the law forbidding the purchase by the association of goods on credit, I do not think that any implication of a representation or warranty of authority could arise, but if it could, an action could not be maintained upon it.

It was contended that the defendants having been benefited by the purchase of these goods by the association, should be held liable to account for the value of them, but the defendants derived no personal benefit from these goods.

It is true that they had personally become liable to a bank for money obtained to pay for goods purchased by the association in a similar way, and that the proceeds of these goods with other goods, had gone to pay such liability.

But having obtained no personal benefit from the purchase of these goods, I do not see upon what principle they could be made to account for the value of them.

It was further contended that the defendant Hartley having accepted the drafts of the plaintiffs drawn upon the association for the association, was liable upon the implied representation or warranty of authority in the association to accept such drafts.

But this also, if anything, was an implied representation or warranty of authority in point of law and not actionable.

The motion must be dismissed with costs.

UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

<i>Nine months ending March—</i>	1895-6		1896-7	
Free	\$28,915		\$30,250	
Dutiable.....	50,972		50,300	
	<u>\$79,888</u>		<u>\$80,550</u>	
Bullion and Coin	4,264	\$84,152	4,553	\$85,103
<i>Month of April—</i>				
Free	\$ 2,382		\$ 2,755	
Dutiable.....	5,339		5,597	
	<u>\$ 7,721</u>		<u>\$ 8,352</u>	
Bullion and Coin.....	189	\$7,910	43	\$ 8,395
<i>Month of May—</i>				
Free	\$ 3,276		\$ 3,701	
Dutiable.....	5,424		5,002	
	<u>\$ 8,700</u>		<u>\$ 8,703</u>	
Bullion and Coin.....	741	\$9,441	42	\$ 8,745
Total for eleven months		<u>\$101,503</u>		<u>\$102,243</u>

EXPORTS

<i>Nine months ending March—</i>				
Products of the mine.....	\$ 5,992		\$ 8,392	
" Fisheries	8,619		8,339	
" Forest	19,024		20,977	
Animals and their produce	30,870		31,325	
Agricultural produce	10,940		12,671	
Manufactures	6,794		6,673	
Miscellaneous	145		134	
	<u>\$82,387</u>		<u>\$88,514</u>	
Bullion and Coin.....	4,475	\$86,862	3,344	\$91,858
<i>Month of April—</i>				
Products of the mine.....	\$ 619		\$ 944	
" Fisheries	355		280	
" Forest	1,230		1,940	
Animals and their produce.....	1,165		1,466	
Agricultural produce	407		996	
Manufactures	774		860	
Miscellaneous	17		7	
	<u>\$ 4,570</u>		<u>\$ 6,474</u>	
Bullion and Coin.....	145	\$4,715	52	\$6,529

Month of May—

Products of the mine.....	\$ 663		\$ 825	
" Fisheries	735		528	
" Forest	2,346		2,455	
Animals and their produce.....	2,105		2,313	
Agricultural produce	1,739		2,222	
Manufactures	842		915	
Miscellaneous	16		6	
	\$ 8,428		\$ 9,264	
Bullion and Coin.....	29	\$8,457	21	\$9,285
		\$100,034		\$107,672

SUMMARY (in units)

For eleven months—

	1895-6	1896-7
Total imports other than bullion and coin..	\$96,309,000	\$97,605 000
Total exports other than bullion and coin..	95,385,000	104,252,000
Excess	(<i>Imp.</i>) \$924,000	(<i>Exp.</i>) \$6,647,000
Net imports bullion and coin	545,000	1,221,000

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Toronto, Halifax, Hamilton

Winnipeg and St. John

(000 omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG		ST. JOHN	
	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1896	1896-7
June	\$ 52,353	\$ 43,129	\$ 26,772	\$ 28,384	\$ 5,090	\$ 4,550	\$ 2,913	\$ 2,775	\$ 3,865	\$ 4,094	\$	\$ 2,418
July	51,902	44,796	26,838	30,394	5,739	5,467	2,972	2,847	4,038	4,961		2,879
August ..	49,314	41,574	23,235	25,128	6,264	5,556	2,726	2,367	3,937	4,646		2,602
September	45,251	44,763	22,543	24,870	4,694	5,036	2,706	2,829	4,008	4,630		2,283
October ..	53,298	48,399	28,437	29,242	5,613	5,387	3,402	3,131	7,911	7,585		2,292
November	54,397	50,215	28,633	29,129	5,444	5,063	3,353	2,856	8,503	8,895		2,362
December	54,138	51,033	33,728	33,146	5,462	5,547	3,224	3,051	6,641	7,736		2,566
January ..	46,663	43,577	33,095	31,117	5,705	5,135	3,227	2,863	4,977	5,009		2,200
February .	38,123	38,480	28,544	24,592	4,709	4,208	2,686	2,591	4,052	3,851		2,016
March	36,643	40,654	26,087	26,673	4,357	5,215	2,516	2,799	4,286	4,289		2,144
April	37,589	45,092	26,111	28,236	4,790	5,077	2,739	2,900	4,032	4,161		2,314
May	44,324	46,600	27,796	29,059	5,064	5,270	2,733	2,655	4,246	5,014	2,413	2,430
	563,995	538,912	331,819	339,970	62,931	61,511	35,197	33,664	60,496	64,871	2,413	28,505

*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.

STATEMENT OF BANKS acting under Dominion Government charter for the months of March, April and May 1897, and comparison with May, 1896:

LIABILITIES

	31st March, 1897	30th April, 1897	31st May, 1897	31st May, 1896
Capital authorized	\$ 73,458,684	\$ 72,958,684	\$ 72,958,684	\$ 73,458,685
Capital paid up	61,893,256	61,903,524	61,943,156	62,198,413
Reserve Fund	26,728,799	26,785,799	27,020,799	26,318,709
Notes in circulation	\$ 31,082,521	\$ 30,814,923	\$ 31,820,445	\$ 29,395,444
Dominion and Provincial Government deposits	7,048,128	7,322,510	6,984,898	5,539,154
Public deposits on demand	67,456,225	69,730,791	70,183,545	61,881,340
Public deposits after notice	126,191,346	126,994,097	129,532,122	121,934,721
Bank loans or deposits from other banks secured	5,000	5,000	17,642	35,000
Bank loans or deposits from other banks unsecured	2,652,299	2,605,373	2,838,777	2,280,425
Due other banks in Canada in daily exchanges	132,577	104,684	113,477	116,966
Due other banks in foreign countries	471,211	488,468	320,798	168,273
Due other banks in Great Britain	3,534,556	5,024,749	3,373,262	4,945,056
Other liabilities	514,556	330,390	958,688	999,471
Total liabilities	\$ 239,088,492	\$ 243,421,066	\$ 246,133,727	\$ 227,295,944

ASSETS

Specie	\$ 8,347,136	\$ 8,653,749	\$ 8,657,293	\$ 8,034,099
Dominion notes	15,956,329	15,792,116	15,936,862	13,472,376
Deposits to secure note circulation	1,846,218	1,846,218	1,848,493	1,816,833
Notes and cheques of other banks	6,902,150	6,813,160	8,519,447	7,163,130
Loans to other banks secured .....	.....	26,053	31,094	30,000
Deposits made with other banks	3,431,674	3,373,721	3,679,882	3,120,601
Due from other banks in Canada in daily exchanges	102,114	154,491	161,916	198,109
Due from other banks in foreign countries	15,480,005	16,401,566	18,763,773	18,564,594
Due from other banks in Great Britain	7,965,774	8,287,727	8,981,513	4,632,125
Dominion Government debentures or stock	2,794,416	2,794,416	2,800,224	3,007,677
Public municipal and railway securities	23,839,495	24,346,027	24,851,672	20,255,209
Call loans on bonds and stocks	14,069,277	13,540,564	14,256,608	13,437,452
Current loans and discounts	213,232,438	216,284,936	211,750,319	206,970,096
Loans to Dominion and Provincial Governments	484,029	847,357	821,469	659,567
Overdue debts	3,869,078	3,691,574	3,419,427	3,373,283
Real estate	2,040,177	2,016,420	1,989,223	2,105,908
Mortgages on real estate sold	508,278	520,113	509,294	569,809
Bank premises	5,655,703	5,665,249	5,627,440	5,629,488
Other assets	1,947,001	2,301,956	2,086,915	2,165,798
Total assets	\$328,471,482	\$333,357,594	\$334,693,054	\$315,212,349
Loans to directors or their firms	\$ 8,234,640	\$ 8,452,148	\$ 8,135,095	\$ 7,680,312
Average amount of specie held during the month	8,310,380	8,409,038	8,551,022	7,848,521
Average Dominion notes held during the month	15,909,960	15,480,868	15,717,060	13,245,455
Greatest amount of notes in circulation during month	31,750,563	32,533,897	32,637,033	30,750,314

CANADIAN BANKERS' ASSOCIATION

LIST OF ASSOCIATES

Abbott, J. H.....	Merchants Bank of Halifax
Abbott, C. C.....	Bank of Montreal
Abernethy, A. C	Bank of British North America
Acres, J. J	Canadian Bank of Commerce
Aird, Jas.....	Bank of Montreal
Aird, John.....	Canadian Bank of Commerce
Allan, Andrew	Halifax Banking Co.
Allan, W. A.	Merchants Bank of Canada
Alley, J. A. M	Traders Bank of Canada
Allison, J. Kaye.	Bank of British North America
Ambridge, H. A	Molsons Bank
Ambrose, H. S.....	Bank of Montreal
Ambrose, J. R.....	Bank of British North America
Anderson, J.	Bank of British North America
Anderson, M. A.	Union Bank of Canada
Anderson, R. H.	Bank of Nova Scotia
Anderson, W. J.....	Bank of Montreal
Andrews, Ernest	Canadian Bank of Commerce
Andros, E. B.....	Bank of Toronto
Angus, A. F	Bank of Montreal
Angus, Jas. A.	Bank of Montreal
Appleton, L. G.	Molsons Bank
Archibald, H. H	Halifax Banking Co.
Arkell, R.	Imperial Bank of Canada
Armstrong, C. A	Commercial Bank of Windsor
Armstrong, C. R	Canadian Bank of Commerce
Arnaud, E. D.	Union Bank of Halifax
Arnaud, F. H.	Merchants Bank of Halifax
Arnold, C. M.....	Imperial Bank of Canada
Ashe, F. W	Union Bank of Canada
Atkinson, M	Bank of Toronto
Austin, Benj	Eastern Townships Bank
Austin, H. L. G.	Bank of British North America
Babbitt, D. Lee	People's Bank of New Brunswick
Babbitt, G. W	Bank of Nova Scotia
Bailey, H. A	People's Bank of Halifax
Balfour, G. H	Union Bank of Canada
Ball, Wm. Lee	Eastern Townships Bank
Bangs, John A	Bank of Ottawa
Banks, D. W.....	Union Bank of Canada

Barker, A. B	Bank of Toronto
Barker, D. J	Bank of Montreal
Barnhardt, R.	Molsons Bank
Barnum, J. L.	Canadian Bank of Commerce
Barrow, R. S.	Union Bank of Canada
Barry, J. F.	Merchants Bank of Halifax
Bartlett, C.	Bank of Hamilton
Bate, C. F.	Merchants Bank of Canada
Bate, E. N.	Imperial Bank of Canada
Bayly, N.	Bank of British North America
Beaumier, H.	Banque d'Hochelaga
Beaven, H. R.	Bank of British Columbia
Beaven, W. J.	Bank of Montreal
Begg, Wm. M.	Bank of Toronto
Bell, F. W.	Merchants Bank of Canada
Bell, J. P.	Bank of Hamilton
Bell, J. P.	Canadian Bank of Commerce
Bell, W.	Imperial Bank of Canada
Bellhouse, Wm. A.	Merchants Bank of Canada
Belt, H. R.	Merchants Bank of Canada
Belt, W. G. H.	Bank of British North America
Benedict, C. L.	Bank of Montreal
Bennett, A. E.	Merchants Bank of Canada
Bennetts, H. E.	Merchants Bank of Canada
Benson, W. S.	Bank of Nova Scotia
Benson, J. J.	Bank of Montreal
Bentley, H. M.	Bank of Ottawa
Bertrand, E. A.	Banque d'Hochelaga
Bethune, F. A.	Molsons Bank
Bienvenu, Tancrede.	Banque Jacques Cartier
Biette, F.	Western Bank of Canada
Bignell, A. E.	Merchants Bank of Canada
Billett, J. Glanville	Union Bank of Canada
Billett, T. R.	Canadian Bank of Commerce
Billings, J., jr.	Bank of Hamilton
Billingsby, F. C.	Quebec Bank
Bingay, T. Van B.	Exchange Bank of Yarmouth
Bingham, H. P.	Merchants Bank of Canada
Birchall, A. S.	Union Bank of Canada
Bird, E. H.	Canadian Bank of Commerce
Bird, J. Godfrey	Bank of Toronto
Bird, T. A.	Bank of Toronto
Bishop, C. A.	Merchants Bank of Canada
Black, Francis M.	Bank of British Columbia
Black, John	Bank of Nova Scotia
Blagdon, J. F.	Merchants Bank of Halifax
Blair, T. B.	Bank of Nova Scotia
Blakeney, H.	Merchants Bank of Canada
Blanchard, E. R.	Banque de St. Hyacinthe
Boak, S. D.	Union Bank of Halifax
Boddy, W. C.,.	Standard Bank of Canada
Bogert, C. A.	Dominion Bank
Boire, H. N.	Banque d'Hochelaga
Bonner, G. W. G.	Bank of British North America

Borden, A. M	Bank of Nova Scotia
Borden, E. A.	People's Bank of Halifax
Botsford, W. M	Merchants Bank of Halifax
Boulton, J. D.	Imperial Bank of Canada
Boulton, J. D.	Molsons Bank
Bourinot, E. W.	Union Bank of Canada
Bourne, G. G.	Canadian Bank of Commerce
Boyd, B. C. Barclay	Bank of New Brunswick
Boyd, W. J.	Canadian Bank of Commerce
Boyle, J. A.	Imperial Bank of Canada
Breedon, H. M.	Bank of British North America
Brent, C. J.	Merchants Bank of Canada
Brewer, H. C.	Molsons Bank
Brock, W. F.	Canadian Bank of Commerce
Brodie, F. A.	Bank of Toronto
Brodrick, A. B.	Molsons Bank
Brodrick, P. W. D.	Molsons Bank
Brough, John M.	Halifax Banking Co.
Brough, T. G.	Dominion Bank
Brown, G. C.	Imperial Bank of Canada
Brown, Vere C.	Canadian Bank of Commerce
Browne, W. G.	Canadian Bank of Commerce
Bruce, W. Wallace	Ontario Bank
Bruneau, A.	Banque d'Hochelaga
Brydon, James	Canadian Bank of Commerce
Buchan, E.	Bank of Hamilton
Buchan, J. L.	Canadian Bank of Commerce
Buchanan, J. O.	Union Bank of Canada
Burchell, John E.	Merchants Bank of Halifax
Burn, Geo.	Bank of Ottawa
Burns, G. H.	Bank of British North America
Burns, W. H.	Bank of Nova Scotia
Burrows, W. A.	Merchants Bank of Canada
Burwell, T. S.	Canadian Bank of Commerce
Butler, W. E.	Merchants Bank of Canada
Butt, R.	Bank of British North America
Butterfield, J.	Bank of Hamilton
Byres, G. Martin	Ontario Bank
Cadenhead, J.	Imperial Bank of Canada
Caldwell, W.	Bank of Nova Scotia
Cameron, Duncan	Merchants Bank of Halifax
Cameron, D. A.	Canadian Bank of Commerce
Cameron, D. E.	Canadian Bank of Commerce
Campbell, A. J. D.	Bank of British North America
Campbell, E. A.	Bank of Hamilton
Campbell, J. E.	Banque de St. Hyacinthe
Campbell, P.	Bank of Toronto
Cant, Joseph	Bank of British North America
Capreol, A. R.	Imperial Bank of Canada
Carpenter, C. H.	Imperial Bank of Canada
Carruthers, George	Merchants Bank of Canada
Carter, E. H.	Canadian Bank of Commerce
Carter, J. H.	Canadian Bank of Commerce

Cartwright, L. S.	Bank of Montreal
Cassels, D. S.	Bank of Hamilton
Cassels, L. G.	Dominion Bank
Cassels, R.	Canadian Bank of Commerce
Chadwick, J. W.	Bank of Toronto
Chapman, J. R.	Bank of British North America
Charles, D. H.	Canadian Bank of Commerce
Charlton, F. E.	Merchants Bank of Canada
Chatterton, T. S.	Bank of Toronto
Checkley, E. R.	Merchants Bank of Canada
Checkley, F. Y.	Canadian Bank of Commerce
Chester, A.	Merchants Bank of Canada
Chesterton, C. A.	Bank of Ottawa
Chipman, L. D. V.	Bank of Nova Scotia
Chipman, W. H.	Bank of Nova Scotia
Chisholm, Geo. R.	Merchants Bank of Halifax
Chisholm, W. R.	Imperial Bank of Canada
Chisholm, W. S.	Merchants Bank of Canada
Christie, A. E.	Union Bank of Canada
Christie, W. J.	Bank of Ottawa
Clarke, C. H. Stanley.....	Imperial Bank of Canada
Clarke, D. R.	People's Bank of Halifax
Clark, O. S.	Bank of Hamilton
Clark, R.	Bank of Montreal
Clark, R. S.	Imperial Bank of Canada
Clark, S. A.	Merchants Bank of Halifax
Clawson, J.	Bank of New Brunswick
Clement, A.	Banque Nationale
Clinch, C. W.	Molsons Bank
Clouston, W. S.	Bank of Montreal
Clouston, E. S.	Bank of Montreal
Cloutier, C.	Banque Nationale
Cochran, E. J.	People's Bank of Halifax
Cochrane, Ernest B.	Eastern Townships Bank
Codd, Selby ..	Bank of Ottawa
Cogswell, A. E.	Halifax Banking Co.
Cole, Francis.....	Bank of Ottawa
Coleman, H. J.	Traders Bank of Canada
Collard, W. H.	Imperial Bank of Canada
Complin, H. Y.	Bank of Ottawa
Conolly, R. G. W.	Canadian Bank of Commerce
Conolly, W. S.	Molsons Bank
Cook, C.	Standard Bank of Canada
Cooke, C. H. S.	Merchants Bank of Canada
Cooke, Wm.	Merchants Bank of Canada
Cooke, W. A.	Canadian Bank of Commerce
Coombs, E. G.	People's Bank of Halifax
Cooper, W. F.	Bank of Toronto
Copeland, W. A.	Bank of Toronto
Cornish, R. P.	Canadian Bank of Commerce
Cotton, F. M.	Bank of Montreal
Cou��t, L.	Banque Nationale
Coulson, D.	Bank of Toronto
Coulthard, W. B.	People's Bank of New Brunswick

Counsell, C. E	Bank of Montreal
Cowdry, E.....	Canadian Bank of Commerce
Craig, H. J	Western Bank of Canada
Craig, Will.....	Bank of Toronto
Cran, J	Bank of British North America
Crawford, F. L.....	Canadian Bank of Commerce
Creighton, J. S	People's Bank of Halifax
Creighton, Ralph.....	Union Bank of Halifax
Crispo, F. W. S	Union Bank of Canada
Crombie, A. M.....	Canadian Bank of Commerce
Crombie, D. B	Quebec Bank
Crombie, R. B	Bank of Montreal
Crompton, R. W	Canadian Bank of Commerce
Crookall, C. J.	Merchants Bank of Canada
Crosbie, C. A.....	Canadian Bank of Commerce
Cross, F. O.....	Canadian Bank of Commerce
Cross, Lionel F.	Canadian Bank of Commerce
Crossley, F.....	Canadian Bank of Commerce
Cumberland, C. R.	Bank of British North America
Cumberland, D.....	Bank of British North America
Currie, R. S	Merchants Bank of Halifax
Cuthbertson, G. J.....	Bank of Toronto
Daly, Simcoe M	Canadian Bank of Commerce
Dampier, L. H	Canadian Bank of Commerce
Daniel, G. W.....	Bank of Nova Scotia
Daniels, Fred	Bank of Montreal
Davidson, R., jr	Imperial Bank of Canada
Dawson, T. C	Canadian Bank of Commerce
Dawson, W. J	Union Bank of Canada
Deacon, C. F.....	Bank of British North America
Dean, H. A	Bank of Montreal
Deans, H. G. P.....	Bank of British North America
de Gex, L. M.	Canadian Bank of Commerce
DeGuisse, L	Banque Nationale
Delmege, A. C. E.....	Merchants Bank of Canada
de Martigny, J. P.....	Banque Jacques Cartier
de Mille, F. W.....	Halifax Banking Co.
Dench, F. E	Canadian Bank of Commerce
De Veber, Boies ..	Halifax Banking Co.
Dewar, D. B	Canadian Bank of Commerce
Dick, John M	Bank of New Brunswick
Dick, William	Bank of Montreal
Dickie, M	Merchants Bank of Halifax
Dickins, A. H	Bank of Ottawa
Dickinson, Wm	Merchants Bank of Halifax
Dimock, R. V	Merchants Bank of Halifax
Dingman, H. J. S.	Canadian Bank of Commerce
Dinning, Neil	Eastern Townships Bank
Dixon, F. J.....	Bank of British North America
Doig, D	Bank of British North America
Douglas, Geo. H	Imperial Bank of Canada
Douglas, H. S	Imperial Bank of Canada
Dowding, C. E.....	Molsons Bank

Draper, W. H	Molsons Bank
Drouin, L	Banque Nationale
Drynan, W. R	Canadian Bank of Commerce
Dubuc, J. E. A.....	Banque Nationale
Duff, J. M.....	Canadian Bank of Commerce
Dumoulin, P. B.....	Quebec Bank
Duncan, D. H	Merchants Bank of Halifax
Dunn, E. Edward.....	Bank of Toronto
Dunlop, Fred	Molsons Bank
Dunsford, C. R.....	Union Bank of Canada
Dunsford, W. H	Canadian Bank of Commerce
Dupuy, H. S.....	Bank of Montreal
Durand, J. E.....	Merchants Bank of Canada
Durnford, A. D.....	Molsons Bank
Duthie, E	Bank of Montreal
Dykes, P	Merchants Bank of Canada
Earle, Ernest A	Merchants Bank of Halifax
Easson, C. H.....	Bank of Nova Scotia
Eckardt, H. M. P.....	Merchants Bank of Canada
Eddis, J. H	Imperial Bank of Canada
Edgell, Stephen	Eastern Townships Bank
Edwards, J. B.	Bank of Toronto
Eliot, W. L	Bank of Montreal
Elliot, James.....	Molsons Bank
Elliot, R.....	Molsons Bank
Elliott, John	Standard Bank of Canada
Ellis, A. E.....	Bank of British North America
Emery, F. B.....	Union Bank of Canada
Evans, H. P	Molsons Bank
Farwell, Wm.....	Eastern Townships Bank
Fee, Jas. K	Bank of Toronto
Ferguson, D. A.....	Molsons Bank
Ferguson, J. H.....	Merchants Bank of Halifax
Fetherstonhaugh, E. J.....	Canadian Bank of Commerce
Fewings, E. J.	Merchants Bank of Canada
Fidler, J. E.	Molsons Bank
Field, R. Allen	Bank of Montreal
Finlaison, E. O.	Bank of British North America
Finnie, D. M.	Bank of Ottawa
Finucane, F. J	Bank of Montreal
Fisher, Guy A	Union Bank of Canada
Fisher, Henry G	Bank of Montreal
Fisher, W. H	Canadian Bank of Commerce
Fisk, A. K	Bank of British North America
Fitton, H. W	Canadian Bank of Commerce
Fitzgerald, M. J.....	Bank of Nova Scotia
Fitzsimons, Harvey	Bank of Toronto
Flemming, H. A	Bank of Nova Scotia
Foote, W. Leslie	Imperial Bank of Canada
Forbes, D. J	Halifax Banking Co.
Forrest, C	Imperial Bank of Canada
Forrest, S. L.....	Union Bank of Canada

Forsayeth, B.....	Bank of Hamilton
Fortier, S	Banque d'Hochelega
Foster, G. C	Imperial Bank of Canada
Foster, R. P	Merchants Bank of Halifax
Fothergill, C.....	Bank of Montreal
Fowler, Percy B	Bank of British Columbia
Fox, Chas. J	Western Bank of Canada
Fraser, A. C	Merchants Bank of Canada
Fraser, Hector	Bank of Ottawa
Fraser, Wm. D.....	Eastern Townships Bank
Freeman, C. D.....	Bank of Nova Scotia
Frigon, A. J. C.....	Banque d'Hochelega
Frost, Henry.....	Banque Ville-Marie
Fuller, E. H.	Bank of Toronto
Fuller, S. B	Imperial Bank of Canada
Fullerton, L. A.....	Bank of Nova Scotia
Fulton, J. R	Imperial Bank of Canada
Fyshe, Thos	Bank of Nova Scotia
Gaboury, W	Banque Nationale
Galbraith, R. S.....	Imperial Bank of Canada
Galer, H. N	Eastern Townships Bank
Gallagher, James	Ontario Bank
Galletly, A. J. C	Bank of Montreal
Gamble, R. D	Dominion Bank
Gaudet, J. E	People's Bank of Halifax
Gault, John	Merchants Bank of Canada
Geddes, H. M	Molsons Bank
Gibb, J. S	Imperial Bank of Canada
Gibbs, G. M	Canadian Bank of Commerce
Gilbert, M. A	Imperial Bank of Canada
Gill, Robert	Canadian Bank of Commerce
Gillard, J. H	Bank of British North America
Gilleland, L. J	Traders Bank of Canada
Giroux, C. A	Banque d'Hochelega
Girvan, Samuel.....	Bank of New Brunswick
Glazebrook, A J.....	Bank of British North America
Glennie, G. G.	Bank of Nova Scotia
Godfrey, W	Bank of British North America
Godwin, C. B.....	Quebec Bank
Gordon, W.....	Imperial Bank of Canada
Gould, R. J	Bank of Toronto
Gower, E. P	Canadian Bank of Commerce
Graburn, K. F. A.....	Merchants Bank of Canada
Graham, C. B	Bank of Ottawa
Graham, Percy.....	People's Bank of Halifax
Graham, S. R	Molsons Bank
Grasett, H. J.....	Canadian Bank of Commerce
Gray, Fred. H ...	Standard Bank of Canada
Gray, H. A.....	Bank of Hamilton
Gray, H. M	Bank of Montreal
Gray, J. E	Standard Bank of Canada
Gray, V. G.....	Bank of British North America
Gray, W. M	Merchants Bank of Canada

Greata, J. M	Bank of Montreal
Green-Armytage, H. R. G	Imperial Bank of Canada
Greenhill, G. V. J	Merchants Bank of Canada
Greentree, Chas. H. C	Bank of Montreal
Griffin, Geo. H	Bank of Montreal
Grindlay, Wm	Bank of British North America
Grindley, H. S	Bank of British North America
Grubbe, R. W	Bank of Toronto
Guimond, L. E	Banque d'Hochelaga
Guptill, L. H	Bank of Nova Scotia
Hague, Geo	Merchants Bank of Canada
Hague, F	Merchants Bank of Canada
Hague, Geo	Merchants Bank of Canada
Hague, Geo. E	Merchants Bank of Canada
Hale, Jeffery	Canadian Bank of Commerce
Haliburton, Wm	Bank of Nova Scotia
Hall, A. S	Bank of British North America
Hall, T. G	Bank of British North America
Hamilton, A. L.	Canadian Bank of Commerce
Hamilton, J. W.	Bank of British North America
Harcourt, J. L	Canadian Bank of Commerce
Harding, H. P	Merchants Bank of Canada
Hargrave, W. H	Eastern Townships Bank
Harper, C. G	Merchants Bank of Canada
Harper, J. F	Bank of Hamilton
Harries, H. A	Molsons Bank
Harris, C. E	Merchants Bank of Halifax
Harrison, R. M	Union Bank of Canada
Harrison, T. S	Canadian Bank of Commerce
Harrison, W. H	Halifax Banking Co.
Harshaw, W. B	Merchants Bank of Canada
Hart, W. D	Standard Bank of Canada
Harvey, H. A	Bank of British North America
Harvey, P. G. W. H	Bank of Montreal
Harvey, W. C	Union Bank of Halifax
Haun, A. W	Bank of Hamilton
Hawkins, G. N. C	People's Bank of Halifax
Hay, E	Imperial Bank of Canada
Hearn, A. R. B	Imperial Bank of Canada
Heathcote, Bruce	Bank of British Columbia
Hebblewhite, W. A	Imperial Bank of Canada
Hebden, E. F	Merchants Bank of Canada
Heffel, H. R	Bank of British North America
Hegan, C. R	Bank of Ottawa
Helsby, E. C	People's Bank of Halifax
Henderson, F. D	Bank of British North America
Henderson, Joseph	Bank of Toronto
Henderson, J. H	Union Bank of Canada
Henderson, W. T.	Imperial Bank of Canada
Henwood, H. B	Bank of Toronto
Herring, B. A	Bank of Ottawa
Hespeler, Jacob	Molsons Bank
Hetherington, James	Eastern Townships Bank

Heward, E. H	Merchants Bank of Canada
Hill, E. W. R.....	Molsons Bank
Hill, G. N. T.....	Canadian Bank of Commerce
Hillary, Norman	Traders Bank of Canada
Hinds, W. G.....	Merchants Bank of Canada
Hirtzel, H. M	Canadian Bank of Commerce
Hoare, C. S	Imperial Bank of Canada
Hoare, S. F	Bank of British North America
Hodder, M. S	Merchants Bank of Canada
Hodgetts, G. W.	Bank of Toronto
Hodgetts, Thos	Bank of Toronto
Hogg, A. B	Bank of Ottawa
Holden, M. E.	Dominion Bank
Holland, G. A	Canadian Bank of Commerce
Hollyer, A. J.....	Bank of Montreal
Holmested, F. W.....	Canadian Bank of Commerce
Holt, Gilbert L.....	Bank of British Columbia
Holt, Grange V	Bank of British Columbia
Holtby, F. B.....	Merchants Bank of Canada
Hooper, O. H	Merchants Bank of Canada
Hope, Adam	Canadian Bank of Commerce
Hope, F.....	Bank of British North America
Horne, G. H	Canadian Bank of Commerce
Hornsby, O. H.....	Merchants Bank of Halifax
Houseman, J. E.	Molsons Bank
Houston, E. S	Imperial Bank of Canada
Howard, H.	Ontario Bank
Howard, L. W	Molsons Bank
Howe, S. J.....	Union Bank of Halifax
Hoyt, G. E	Bank of Nova Scotia
Hurdon, N. D	Molsons Bank
Hutcheson, S. M	Western Bank of Canada
Imrie, James.....	Bank of Nova Scotia
Inglis, R.....	Bank of British North America
Inglis, John	Merchants Bank of Canada
Innes, Chas. B.....	Bank of British Columbia
Ireland, A. H	Canadian Bank of Commerce
Ireland, A. S.....	Bank of British North America
Irvine, J. H.	Bank of Ottawa
Jackson, E. C.....	Traders Bank of Canada
Jaffray, W. G.....	Imperial Bank of Canada
James, Victor C.....	Merchants Bank of Canada
Jarvis, Arthur S	Union Bank of Canada
Jarvis, E. W	Bank of Montreal
Jarvis, Gerald	Bank of Ottawa
Jemmett, F.....	Merchants Bank of Canada
Jemmett, F. G	Canadian Bank of Commerce
Jemmett, H	Canadian Bank of Commerce
Jennings, B	Imperial Bank of Canada
Jennings, J. B	Western Bank of Canada
Jennings, R. C	Canadian Bank of Commerce
Johnson, F. W. G.....	Molsons Bank

Johnston, Geo. S	Bank of Toronto
Johnston, J. D	Merchants Bank of Canada
Johnston, J. M.	Quebec Bank
Johns, T. W	Bank of Yarmouth
Jones, A. F. H	Traders Bank of Canada
Jones, E. C	Bank of Montreal
Jones, G. W	Standard Bank of Canada
Jones, H. V. F	Canadian Bank of Commerce
Jones, R. L. Y	Quebec Bank
Jones, W. G	Bank of Nova Scotia
Joy, B. H	Merchants Bank of Canada
Jukes, A.	Imperial Bank of Canada
Kavanagh, C. R	Bank of Ottawa
Kelly, J.	Standard Bank of Canada
Kelly, J. E.	Merchants Bank of Canada
Kemp, Donald	Merchants Bank of Halifax
Kemp, J. C.	Canadian Bank of Commerce
Kennedy, C. A	Bank of Nova Scotia
Kennedy, F	Bank of Nova Scotia
Kenny, C. H	Bank of Ottawa
Kessen, R. Blaikie	Bank of Ottawa
Ketchum, C. V.	Bank of Toronto
Kilgour, W. A.	Canadian Bank of Commerce
Kilvert, jr., F. E	Bank of Hamilton
Kimball, F. E	Bank of Toronto
King, W. C. J	Canadian Bank of Commerce
Kingsmill, Wm.	Bank of Ottawa
Kirkland, Angus	Bank of Montreal
Kirkpatrick, G. R. F	Imperial Bank of Canada
Kirkpatrick, R. C.	Merchants Bank of Canada
Kirkpatrick, W. R.	Bank of Toronto
Kivell, W. J	Canadian Bank of Commerce
Knight, John.	People's Bank of Halifax
Knight, A. S.	Bank of Nova Scotia
Kohl, E. F.	Molsons Bank
Kortright, E. A.	Bank of Toronto
Kydd, Geo	Bank of British North America
Labadie, P. A	Banque Nationale
Lacoursiere, F. X. O	Banque d'Hochelega
Laframboise, J	Eastern Townships Bank
Lafrance, P. G	Banque Nationale
Laing, R. T	Canadian Bank of Commerce
Laird, Alex.	Canadian Bank of Commerce
Laird, D. R	Bank of Nova Scotia
Lamb, J. R.	Bank of Toronto
Lamont, Malcolm, ...	Bank of British Columbia
Langlois, C	Banque d'Hochelega
Langmuir, J. A.	Imperial Bank of Canada
Larocque, A. A.	Banque d'Hochelega
Latimer, C. R	Bank of Toronto
Lavoie, N	Banque Nationale
Lawson, Reginald.	Bank of Nova Scotia

Lawson, Walter.....	Commercial Bank of Windsor
Lay, Harry M	Canadian Bank of Commerce
Lay, J. M	Imperial Bank of Canada
Leach, Hugh.....	Bank of Toronto
Leavitt, J. D.....	Union Bank of Halifax
Ledoux, A. O	Eastern Townships Bank
Leduc, F. E	Banque Jacques Cartier
Le Mesurier, G. G	Imperial Bank of Canada
Leslie, A.....	Bank of British North America
Leslie, C. F	Bank of Hamilton
Leslie, E. V	Bank of Montreal
Leslie, J.....	Bank of Montreal
Lewer, M. W.....	Bank of British North America
Lewis, C. A	Merchants Bank of Canada
Lewis, J. D	Imperial Bank of Canada
Lightbourn, D. B.....	Molsons Bank
Lister, F. A. W.....	Merchants Bank of Canada
Little, J. A.....	Molsons Bank
Livingstone, N. M	Bank of Hamilton
Lloyd, C. H	Ontario Bank
Lockie, Everard J.	Canadian Bank of Commerce
Lockwood, H	Bank of Montreal
Lockwood, H	Molsons Bank
Logan, A. H	Bank of Ottawa
Lombard, J. H	Bank of Nova Scotia
Loosemore, H. H.....	Standard Bank of Canada
Lund, W. A	Halifax Banking Co.
Lyon, R. A	Imperial Bank of Canada
Macbeth, F	Molsons Bank
Macdonald, R. H.....	People's Bank of Halifax
Macdonald, W	Imperial Bank of Canada
Macdonell, A. J	Ontario Bank
MacEwan, A. E	Bank of Ottawa
MacGachen, F. L.....	Merchants Bank of Canada
MacGillivray, D	Canadian Bank of Commerce
MacGowan, W. J.....	Merchants Bank of Canada
Machaffie, W. A	Merchants Bank of Canada
Mackelvie, N. B	Bank of Nova Scotia
MacKenzie, E. E	Merchants Bank of Halifax
MacKenzie, J. M	Imperial Bank of Canada
Mackenzie, H. B	Bank of British North America
Mackinnon, Jas.....	Eastern Townships Bank
Mackintosh, A. St. L	Merchants Bank of Canada
Mackintosh, C. D.....	Canadian Bank of Commerce
MacMahon, H. P.....	Traders Bank of Canada
MacMillan, D. A.....	Merchants Bank of Canada
MacNamara, D.....	Bank of Ottawa
Macnider, A	Bank of Montreal
Macoun, F. J	Canadian Bank of Commerce
Macpherson, R. C.....	Canadian Bank of Commerce
McBrine, Jas. H	Bank of Toronto
McCaffry, Thos. F	Union Bank of Canada
McCaw, A. S.....	Eastern Townships Bank

McCleneghan, A. B.....	Imperial Bank of Canada
McCosh, R. G	Canadian Bank of Commerce
McCuaig, C. M.....	Molsons Bank
McCulley, C. C.....	Bank of Nova Scotia
McCurdy, E. A.....	Merchants Bank of Halifax
McCurdy, F. B.....	Halifax Banking Co.
McDonald, Arthur	Bank of New Brunswick
McDougall, Thomas	Quebec Bank
McDougall, Allan.....	Quebec Bank
McDougall, F	Merchants Bank of Halifax
McGill, W	Western Bank of Canada
McGillivray, A	Bank of Toronto
McGregor, D.....	Canadian Bank of Commerce
McGregor, George C	Molsons Bank
McHarrie, R. C.....	Canadian Bank of Commerce
McInnes, D	Banque d'Hochelaga
McIsaac, John A	Merchants Bank of Halifax
McKane, John	Merchants Bank of Halifax
McKee, G. W	Canadian Bank of Commerce
McKeen, John	Bank of Nova Scotia
McLaggan, C. E	Bank of Nova Scotia
McLean, A. D	Merchants Bank of Canada
McLean, Neil	Bank of Montreal
McLelland, E. J	Merchants Bank of Canada
McLennan, D	Canadian Bank of Commerce
McLeod, B. M	Bank of Nova Scotia
McLeod, J. A	Bank of Nova Scotia
McLimont, R ...	Merchants Bank of Canada
McLoughlin, J. W	Eastern Townships Bank
McMahon, J	Molsons Bank
McMaster, T. G	Canadian Bank of Commerce
McMichael, H. M.....	Bank of British North America
McMurray, L. S	Bank of Toronto
McPhail, J. A	Imperial Bank of Canada
McRae, A. D.....	Union Bank of Halifax
Mabon, E. J	Bank of Nova Scotia
Mabon, S. W.....	Bank of Nova Scotia
Magee, J. E	Merchants Bank of Canada
Mair, George.....	Traders Bank of Canada
Mann, F. A	Merchants Bank of Canada
Manning, C. M.....	Bank of Nova Scotia
Manning, M. J	Merchants Bank of Canada
Manson, Wm	Canadian Bank of Commerce
Marler, W. L.....	Merchants Bank of Canada
Marsh, F. H	Imperial Bank of Canada
Marshall, S. E	Commercial Bank of Windsor
Marsland, C. B.....	Molsons Bank
Martin, James	Bank of Ottawa
Marquis, H. G	Bank of British North America
Massey, W. M	Bank of British North America
Masters, G. A	Bank of Nova Scotia
Matheson, Alan F	Merchants Bank of Canada
Mathewson, F. H.....	Canadian Bank of Commerce
Maynard, A. E	Canadian Bank of Commerce

Maynard, Wm., jr.....	Canadian Bank of Commerce
Meldrum, G. H.....	Canadian Bank of Commerce
Mellish, A. E.....	Merchants Bank of Halifax
Mercer, W. S.....	Merchants Bank of Canada
Meredith, M. F.....	Bank of British North America
Merrett, T. E.....	Merchants Bank of Canada
Metzler, R. H.....	Halifax Banking Co.
Michie, G. W.....	Union Bank of Canada
Middeton, W. E.....	Ontario Bank
Millar, J. E.....	Canadian Bank of Commerce
Miller, D.....	Merchants Bank of Canada
Minty, F. C. G.....	Canadian Bank of Commerce
Minty, H. J.....	Canadian Bank of Commerce
Mitchell, W. F.....	Merchants Bank of Halifax
Moffat, A. C.....	Canadian Bank of Commerce
Moffat, W.....	Imperial Bank of Canada
Moffatt, G. G.....	Bank of Nova Scotia
Molson, H. Markland.....	Molsons Bank
Molson, J. D.....	Molsons Bank
Monk, A. B.....	Bank of Montreal
Monk, John Benning.....	Bank of Ottawa
Montgomery, R. J.....	Canadian Bank of Commerce
Montizambert, H. St. J.....	Imperial Bank of Canada
Mooney, Andrew.....	Bank of Nova Scotia
Mooney, B.....	Bank of Nova Scotia
Moore, E. A.....	Bank of Montreal
Moore, G. S.....	Bank of Nova Scotia
Moore, R. H.....	Bank of Ottawa
Moore, W. S.....	Bank of Nova Scotia
Morden, H. J.....	Standard Bank of Canada
More, John C.....	Merchants Bank of Canada
Moreau, W. A.....	Banque de St. Hyacinthe
Morehouse, W. E.....	Eastern Townships Bank
Morey, Samuel F.....	Eastern Townships Bank
Morgan, C. G.....	Merchants Bank of Canada
Morgan, H. H.....	Imperial Bank of Canada
Morris, H. H.....	Canadian Bank of Commerce
Morris, J.....	Ontario Bank
Morris, M.....	Canadian Bank of Commerce
Morris, M.....	Imperial Bank of Canada
Morrison, J. H.....	Halifax Banking Co.
Morrison, J. J.....	Bank of British North America
Morrison, P. W.....	Merchants Bank of Halifax
Morrison, R. P.....	Halifax Banking Co.
Morson, W. C. T.....	Canadian Bank of Commerce
Morton, W. D.....	Bank of Toronto
Mowat, John.....	Bank of Nova Scotia
Muckleston, A. J.....	Canadian Bank of Commerce
Muir, J. Gillespie.....	Merchants Bank of Canada
Munro, A. D.....	Bank of Nova Scotia
Munro, Geo.....	Merchants Bank of Canada
Munro, Geo. W.....	People's Bank of Halifax
Murray, A. S.....	Exchange Bank of Yarmouth
Murray, F. L.....	Halifax Banking Co.

Murray, J. McE	Canadian Bank of Commerce
Murray, William	Bank of British Columbia
Mussen, R. T	Canadian Bank of Commerce
Naftel, F. J	Bank of Montreal
Nash, A. E	Bank of Montreal
Nay, J. W.....	Canadian Bank of Commerce
Naylor, W. S.....	Molsons Bank
Neeve, C. G	Merchants Bank of Canada
Neeve, J. H	Bank of Ottawa
Nevill, C. D	Bank of British North America
Niblett, E. R.....	Bank of Hamilton
Nicoll, J. C.....	Bank of British North America
Nichol, John D.....	Bank of Hamilton
Noble, C. J.....	Canadian Bank of Commerce
Noel, H. V.....	Quebec Bank
Nourse, C. G. K	Canadian Bank of Commerce
Nowers, W. H	Merchants Bank of Canada
Nunns, A. L	Imperial Bank of Canada
O'Grady, G. deC	Canadian Bank of Commerce
O'Grady, J. W. deC.....	Bank of Montreal
O'Halloran, J. M	Eastern Townships Bank
Olivier, E. P.....	Eastern Townships Bank
Oliver, F. G	Merchants Bank of Canada
Oliver, W. T.....	Bank of British North America
Ord, A. B	Traders Bank of Canada
O'Reilly, H. H	Bank of Hamilton
O'Reilly, H. R	Canadian Bank of Commerce
Owen, L. C.....	Bank of Ottawa
Padden, J. A.....	Bank of Montreal
Pambrun, W. H	Banque d'Hochelaga
Park, D. R.....	Merchants Bank of Halifax
Parker, A. D.....	Canadian Bank of Commerce
Parker, E. G.....	Bank of Ottawa
Parker, F. A	Merchants Bank of Canada
Parker, W. D	Ontario Bank
Parkes, C. M.....	Bank of Toronto
Parkes, T. G. A	Merchants Bank of Halifax
Parris, J. R	Bank of Ottawa
Pashby, R	Bank of Toronto
Paterson, J. C	Merchants Bank of Canada
Patterson, A. B	Merchants Bank of Canada
Patterson, C. A.....	Bank of Hamilton
Patterson, E. L. Stewart	Eastern Townships Bank
Patteson, G. B	Molsons Bank
Patton, F. L.....	Union Bank of Canada
Patton, R. C	Quebec Bank
Pease, Edson L.....	Merchants Bank of Halifax
Peden, G. R	Bank of Ottawa
Pegram, W. H	Bank of British Columbia
Pemberton, G. C. T.....	Canadian Bank of Commerce
Penfold, J.....	Bank of British North America
Pennington, Wm. J. G	Bank of British North America

Pennock, C. G	Bank of Ottawa
Pennock, H. P	Bank of Ottawa
Pepler, A	Dominion Bank
Percival, W. F	Bank of Toronto
Peterson, F. J	Imperial Bank of Canada
Pethick, H. S	Bank of Nova Scotia
Phepoe, T. B	Molsons Bank
Philip, W	Imperial Bank of Canada
Phillips, E. S	Merchants Bank of Canada
Phillipotts, W. E	Bank of British North America
Phipps, A. R	Canadian Bank of Commerce
Piddington, Alfred	Quebec Bank
Pinkham, J	Imperial Bank of Canada
Pitblado, J	Bank of Nova Scotia
Pitt, Edward	Bank of Montreal
Plummer, J. H	Canadian Bank of Commerce
Polson, Hugh	Canadian Bank of Commerce
Pool, John	Traders Bank of Canada
Pope, Frank H	Ontario Bank
Porter, Jas. S	Bank of Toronto
Pottenger, F. W	Merchants Bank of Canada
Pottenger John	Merchants Bank of Canada
Pratt, Edward C	Molsons Bank
Pratt, W. H	Molsons Bank
Prendergast, M. J. A	Banque d'Hochelaga
Pringle, John	Bank of Toronto
Pringle, W	Merchants Bank of Canada
Proctor, J. R	Union Bank of Canada
Pugh, Henry J	Union Bank of Canada
Putnam, Arthur G	Merchants Bank of Halifax
Racey, E. F	Bank of British North America
Racey, W. R	Merchants Bank of Halifax
Ramsden, F. G	Bank of Toronto
Ransom, Wm. Bayly	Bank of British Columbia
Raymond, S. D	Imperial Bank of Canada
Read, Chas. N	Merchants Bank of Canada
Read, L. B	Merchants Bank of Halifax
Reed, R. L Baynes	Molsons Bank
Reeve, R. F	Bank of Montreal
Reid, E. R	Commercial Bank of Windsor
Reid, Geo. P	Standard Bank of Canada
Renshaw, H. A. C	Merchants Bank of Canada
Rent, R. G	Union Bank of Halifax
Reynolds, W. P	Molsons Bank
Rice, O. F	Imperial Bank of Canada
Richardson, H. A	Bank of Nova Scotia
Richardson, J. A	Imperial Bank of Canada
Richey, M. S. L	Bank of Montreal
Ridout, A. H	Bank of Hamilton
Ridout, A. W	Canadian Bank of Commerce
Rimington, S. B	Molsons Bank
Robarts, A. W	Canadian Bank of Commerce
Robarts, E. C	Imperial Bank of Canada

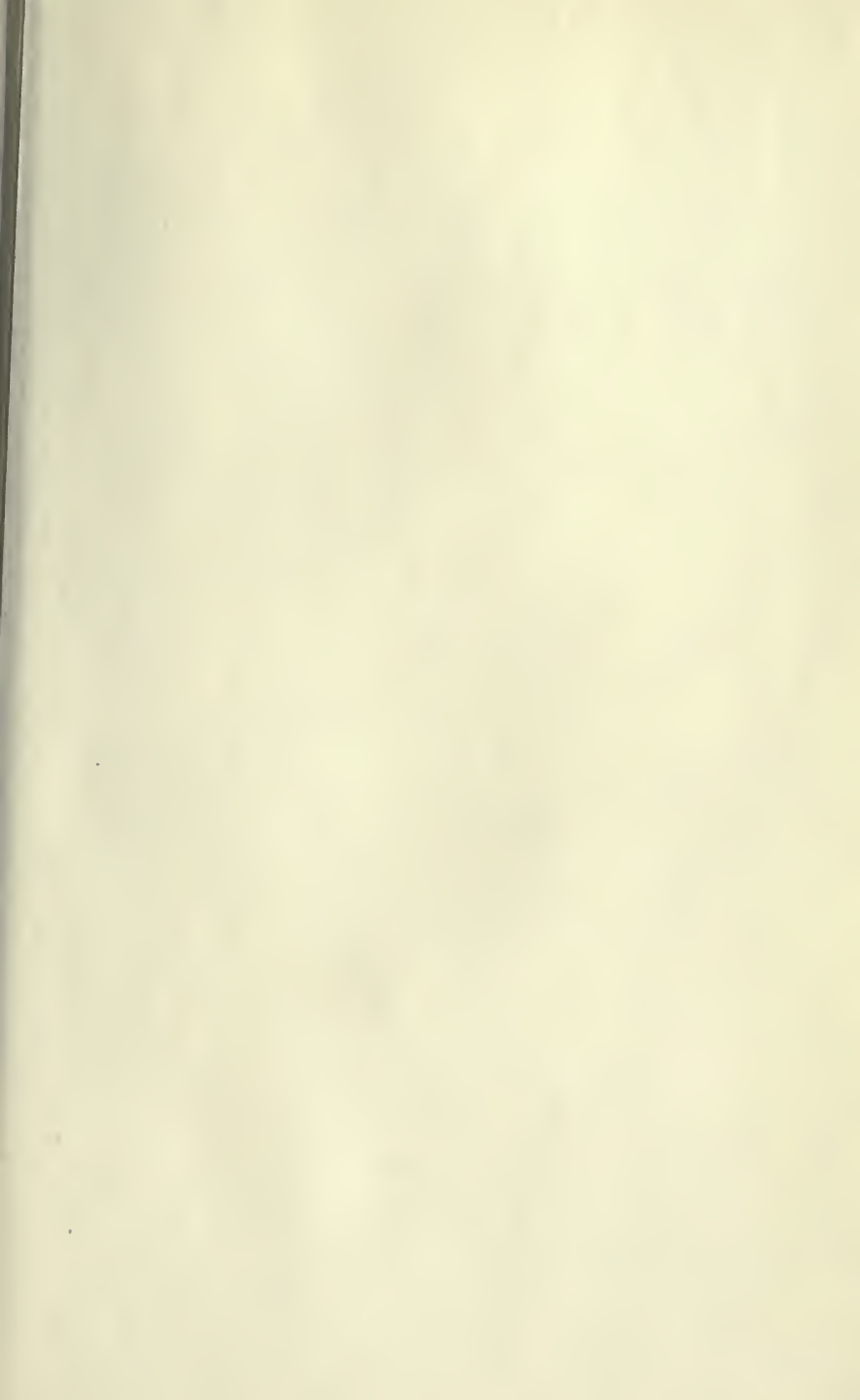
Roberts, J. P.....	Bank of British North America
Roberts, Wm.....	Canadian Bank of Commerce
Robertson, Alex.....	Bank of British North America
Robertson, A.....	Bank of Nova Scotia
Robertson, Blair	Bank of Nova Scotia
Robertson, D.....	Bank of British North America
Robertson, David.....	Bank of Ottawa
Robertson, H. E	People's Bank of Halifax
Robertson, W. J.....	Canadian Bank of Commerce
Robinson, Edwd N	Eastern Townships Bank
Robinson, F. M.....	Bank of Hamilton
Robinson, J. A	Merchants Bank of Canada
Robinson, P. C.....	Bank of Nova Scotia
Robinson, R. A.....	Bank of British North America
Robinson, W. H	Bank of Nova Scotia
Robinson, Wm. H.....	Eastern Townships Bank
Robitaille, G. S. F.....	Quebec Bank
Rogers, F. J	Bank of Montreal
Ross, R	Dominion Bank
Ross, W. D	Bank of Nova Scotia
Rothwell, H. L.....	Canadian Bank of Commerce
Rousseau, J. A.....	Banque Jacques Cartier
Rowe, A. C.....	Bank of British North America
Rowley, A. H.....	Bank of Nova Scotia
Rowley, C. W	Canadian Bank of Commerce
Rowley, H. H	Bank of British North America
Rowley, O. R.....	Bank of British North America
Ruby, Carl.....	Canadian Bank of Commerce
Rumsey, C. S.....	Traders Bank of Canada
Rumsey, Reginald, A	Canadian Bank of Commerce
Russell, J. A	Halifax Banking Co.
Ryan, J. W.....	Union Bank of Halifax
Sanson, D. M.....	Canadian Bank of Commerce
Saunders, E. M.....	Canadian Bank of Commerce
Saunderson, Geo.	Bank of Nova Scotia
Savage, W. J.....	Canadian Bank of Commerce
Schofield, Geo. A.....	Bank of New Brunswick
Scholfield, G. P.....	Standard Bank of Canada
Scott, A	Canadian Bank of Commerce
Scott, Robert C.....	Merchants Bank of Canada
Scott, T. O.....	Merchants Bank of Canada
Scott, W. B	Merchants Bank of Canada
Secord, H. C.....	Imperial Bank of Canada
Secord, H. C.....	Canadian Bank of Commerce
Sewell, H. F. D	Bank of British Columbia
Shadbolt, E. M	Bank of Montreal
Shannon, E. G.....	Halifax Banking Co.
Shannon, W. T.....	Standard Bank of Canada
Shaw, G. H	Quebec Bank
Shaw, Robert	Merchants Bank of Canada
Shepherd, D	Molsons Bank
Sherman, F. J ..	Merchants Bank of Halifax
Short, F. T.....	Bank of British North America

Short, H. H	Bank of Ottawa
Simpson, A.....	Ontario Bank
Simpson, C. E. St. C	Canadian Bank of Commerce
Simpson, D	Bank of British North America
Skeaff, Jno. Stewart	Bank of Toronto
Skelton, Arthur C.....	Bank of British North America
Skey, A. H	Bank of Hamilton
Skey, Wm. Russel	Molsons Bank
Slack, F. W	Eastern Townships Bank
Sloane, B. O'R.....	Quebec Bank
Sloane, S. F	Dominion Bank
Sloane, W. P.....	Quebec Bank
Smith, Arthur G	Union Bank of Canada
Smith, A. M	Merchants Bank of Canada
Smith, Chas. C.....	Quebec Bank
Smith, Chas. Graham	Eastern Townships Bank
Smith, Edward F.....	Merchants Bank of Halifax
Smith, Fred W.....	Union Bank of Canada
Smith, Lyndon.....	Merchants Bank of Canada
Smith, Wm	Merchants Bank of Canada
Smith, Wm. H.....	Ontario Bank
Smith, W. Thomson	Traders Bank of Canada
Smythe, J. W. H.....	Canadian Bank of Commerce
Snyder, H. M	Canadian Bank of Commerce
Snyder, L. P.....	Traders Bank of Canada
Spencer, A. V	Merchants Bank of Canada
Spencer, W. A	Merchants Bank of Halifax
Spier, Wm.....	Eastern Townships Bank
Spink, G. A	Merchants Bank of Halifax
Spurden, J. W	People's Bank of New Brunswick
Stanger, E.....	Bank of British North America
Stavert, W. E	Bank of Nova Scotia
Steele, E. K	Imperial Bank of Canada
Steeves, A. A.....	Merchants Bank of Halifax
Stephens, W. S.....	Molsons Bank
-Sterns, G. W.....	Halifax Banking Co.
Steven, Claude H.....	Bank of British North America
Steven, H. S.....	Bank of Hamilton
Stevenson, B. B	Quebec Bank
Stevenson, H. H	Molsons Bank
Stevenson, P. C	Canadian Bank of Commerce
Stewart, D. M	Canadian Bank of Commerce
Stewart, E. G	Union Bank of Canada
Stewart, H. Malcolm	Bank of British Columbia
Stewart, J. A.....	Standard Bank of Canada
Stewart, W. J	Standard Bank of Canada
Stidston, J. H	Imperial Bank of Canada
Stikeman, H	Bank of British North America
Stork, C. M	Canadian Bank of Commerce
Strathy, Frank W	Union Bank of Canada
Strathy, H. S.....	Traders Bank of Canada
Strathy, Stuart.....	Traders Bank of Canada
Strickland, C. N. S	Union Bank of Halifax
Strong, F. W.....	Merchants Bank of Canada

Stuart, J. H	Bank of Hamilton
Swaisland, G. W	Molsons Bank
Swan, H	Bank of Ottawa
Sweeny, C	Bank of Montreal
Swinford, A	Bank of Ottawa
Swinton, Rigby	Bank of Hamilton
Taillon, A. A	Banque Nationale
Tapper, W. H	Bank of Nova Scotia
Tasker, P. A	Molsons Bank
Tate, L. E	Molsons Bank
Tate, J. M	Canadian Bank of Commerce
Taylor, Frank W	Merchants Bank of Halifax
Taylor, F. W	Bank of Montreal
Taylor, Geo. A	Merchants Bank of Halifax
Taylor, J	Bank of British North America
Taylor, Jas. G	Halifax Banking Co.
Taylor, R. F	Merchants Bank of Canada
Taylor, W. H Norton	Bank of Montreal
Thomas, R. Wolferstan	Bank of British North America
Thomas, F. Wolferstan	Molsons Bank
Thomas, Wm. S	Bank of New Brunswick
Thompson, L. P	Merchants Bank of Canada
Thomson, A. A	Bank of Nova Scotia
Thomson, A. H	Canadian Bank of Commerce
Thomson, G. A	Halifax Banking Co.
Thomson, H. A	Molsons Bank
Thomson, W. H	Imperial Bank of Canada
Thornton, A. S	Canadian Bank of Commerce
Thorne, E. L	Union Bank of Halifax
Tofield, H. A	Merchants Bank of Canada
Torrance, W. B	Merchants Bank of Halifax
Townshend, A. S	Halifax Banking Co.
Trainor, John	Merchants Bank of Halifax
Travers, W. R	Merchants Bank of Canada
Trepanier, J	Banque d'Hochelaga
Trigge, A. St. L	Canadian Bank of Commerce
Tupper, W. S	Merchants Bank of Halifax
Turnbull, J	Bank of Hamilton
Turnbull, James	Halifax Banking Co.
Turnbull, T. M	Canadian Bank of Commerce
Turner, J. H	Bank of Nova Scotia
Van Felson, A. B.	Quebec Bank
Veasey, G	Union Bank of Canada
Vessey, A. E	Bank of Nova Scotia
Vibert, Philip	Union Bank of Canada
Wadsworth, W. R	Bank of Toronto
Wainwright, G. C	Bank of Ottawa
Wainwright, J. R	Molsons Bank
Walcot, C. W	Merchants Bank of Canada
Walker, B. E	Canadian Bank of Commerce
Walker, H. B	Canadian Bank of Commerce

Walker, J	Quebec Bank
Wallace, H. N	Halifax Banking Co.
Wallace, Jas. B.....	Merchants Bank of Canada
Wallace, R. G	Bank of Nova Scotia
Wallace, R. R	Bank of Montreal
Wallace, Wm.	Molsons Bank
Wallace, W. J	Bank of Montreal
Walsh, Ed	Merchants Bank of Halifax
Ward, W. C	Bank of British Columbia
Ward, E. E	Molsons Bank
Ward, Frank B.....	Bank of British Columbia
Ward, Harry M	Eastern Townships Bank
Warden, W. M.....	Bank of Toronto
Waterbury, W. B.....	Merchants Bank of Canada
Waters, D.....	Bank of Nova Scotia
Watson, H. M	Bank of Hamilton
Watson, Jas	Union Bank of Canada
Watson, Jas	Traders Bank of Canada
Watson, J. B.....	Imperial Bank of Canada
Watson, W. W.....	Bank of Nova Scotia
Watt, G. D	Bank of British North America
Watt, J. Nelson.....	Bank of Hamilton
Waud, B. H	Molsons Bank
Waud, E. W.....	Molsons Bank
Webbe, R. J. M	Molsons Bank
Webb, E. E	Union Bank of Canada
Wedd, G. M	Canadian Bank of Commerce
Wedd, L. E	Bank of Hamilton
Weelands, E.....	Molsons Bank
Weir, W.....	Banque Ville-Marie
Weir, W. A	Imperial Bank of Canada
Wemyss, J. M	Imperial Bank of Canada
West, S. J.....	Merchants Bank of Canada
Wethey, C. H	Imperial Bank of Canada
Whelan, Chas. P.....	Dominion Bank
White, Chas	Imperial Bank of Canada
White, G. A	People's Bank of Halifax
Whitely, A. L.....	Imperial Bank of Canada
Wickson, Arthur	Merchants Bank of Canada
Wiggins, C. Malcolm	Ontario Bank
Wilkie, D. R.....	Imperial Bank of Canada
Williams, A. E.....	Bank of Nova Scotia
Williams, H. F.....	Eastern Townships Bank
Williams, R. S	Canadian Bank of Commerce
Williams, Thos.....	Bank of Toronto
Wills, H. T	Canadian Bank of Commerce
Willis, J. M	Ontario Bank
Willmott, J. S	Merchants Bank of Canada
Wilson, Alex.....	Bank of Nova Scotia
Wilson, A. E.....	Bank of Montreal
Wilson, Geo	Imperial Bank of Canada
Wilson, G. H	Bank of Montreal
Wilson, G. M	Merchants Bank of Canada
Wilson, H. B	Molsons Bank

Wilson, J. H.....	Imperial Bank of Canada
Wilson, J. M.....	Imperial Bank of Canada
Winlow, F. J.....	Traders Bank of Canada
Winslow, E. P.....	Bank of Montreal
Winslow, F. E.....	Bank of Montreal
Winter, G. H	Bank of British North America
Wood, H. H	Imperial Bank of Canada
Woodill, R. A	People's Bank of Halifax
Woollcombe, F.....	Union Bank of Canada
Wrenshall, C. M	Merchants Bank of Canada
Wright, H. O.....	Bank of Montreal
Wright, R. C.....	Union Bank of Halifax
Würtele, Carl F	Quebec Bank
Würtele, H. N	Merchants Bank of Canada
Wyld, O. A	Bank of British Columbia
Yarwood, C. St. G.....	Canadian Bank of Commerce
Yeo, Lowman	Bank of Nova Scotia
Young, J. E	Commercial Bank of Windsor
Young, W. C.....	Merchants Bank of Canada



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